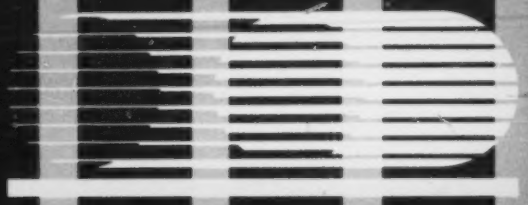

TRENDS IN AUTOMOBILE FINANCING:

Results of the 1988 Survey

CBA
CONSUMER BANKERS ASSOCIATION

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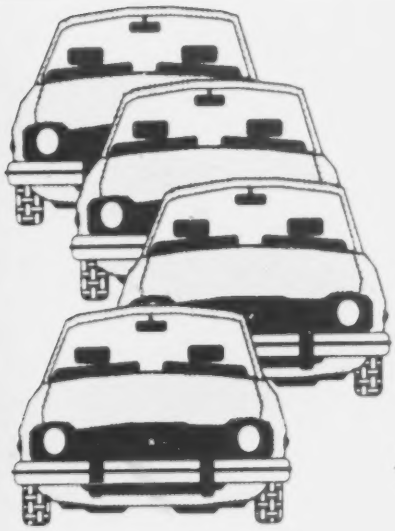

CONSUMER BANKERS
ASSOCIATION

TRENDS IN AUTOMOBILE FINANCING SURVEY

YEAR END 1988

Conducted by the

Center for Financial
Services Studies
McIntire School of Commerce
University of Virginia

Timothy R. Hinkin
Principal Researcher and
Assistant Professor of Commerce

John H. Lindgren, Jr.
Director
Center for Financial
Services Studies
and Professor of Commerce

CONSUMER BANKERS ASSOCIATION

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--From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations.

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The Consumer Bankers Association

The Consumer Bankers Association was founded in 1919 to provide a progressive voice for the retail banking industry. CBA represents approximately 800 federally insured banks and thrift institutions that hold more than 80 percent of all consumer deposits, and more than 70 percent of all consumer credit held by federally insured depository institutions.

CBA serves as a spokesman on consumer banking issues, including automobile financing, home equity lending, bank cards, funds availability, EFT, deposit products, student lending and related legislation. The association provides its members with effective, proactive federal government relations activities, innovative and specialized conferences and educational programs and publications.

In 1980, CBA organized a Consumer Leasing Committee which developed an industry-wide annual conference, an annual survey, and monitored national legislation and regulation. In 1985 the committee's purpose was expanded to include consumer lending and dealer wholesale financing. Today's committee plans an annual spring conference which is one of the largest CBA-sponsored educational events. In addition, the committee, working with the University of Virginia's Center for Financial Services Studies, conducts an annual survey of trends in consumer leasing and lending, and dealer financing.

CBA thanks the members of the Automobile Finance Committee for their continuing commitment and service to the industry.

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The Mission of the Center is to...

...undertake and support research dealing with problems, issues, and concerns in the financial services industry;

...encourage an exchange of ideas among financial industry leaders, faculty, and students through a continuing series of lectures, seminars, and workshops; and

...sponsor and coordinate education programs for the financial services industry.

For further information, please contact:

John H. Lindgren, Jr., Director
Center for Financial Services Studies
Monroe Hall, McIntire School of Commerce
Charlottesville, Virginia 22903
(804) 924-3414

CONSUMER BANKERS ASSOCIATION

Consumer Bankers Association Trends in Automobile Financing Survey Year End 1988

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INTRODUCTION

Like the previous year, 1988 was another turbulent period in automobile financing. Interest rates were steadily increasing, dealer sales were decreasing, and many financial institutions were struggling to squeeze profits out of their automobile portfolio. Some very large lenders discontinued automobile financing in 1988, including General Electric Credit, Norstar, Security Pacific Credit (regionally) and Citicorp (regionally), citing poor credit quality in the portfolio and poor expense control as the primary reasons for their departure. Many other institutions are also considering getting out of automobile financing altogether, and some experts predict a pullout of 10-15% of indirect lenders in the near future. In contrast, some institutions had a very profitable year, posting gains in both units financed and dollar volume.

The decade between 1977 and 1987 saw 100% increase in the volume of automobile financing by the captive finance companies, while banks suffered a 30% decrease. Today the banks and the captives evenly split approximately 80% of the automobile financing market. The captives have continued their aggressive approach to automobile financing, as many benefits can be provided to the parent organization. First, financing somewhat offsets the cyclical nature of the automobile business by providing a more stable earnings pattern. Second, since the primary objective of the automobile manufacturers is to sell cars, subvented interest rates and rebates can be used to stimulate sales. Third, they offer a full-service package to the franchised dealer in terms of lending, leasing, and floorplanning, and are now developing computer technology to make the loan approval process more efficient.

The decade of the 90's will see the captives diversifying further into other types of consumer lending. In 1982, Chrysler Finance was in the red, but today it boasts $21 billion in assets, making it the 4th largest non-bank financial institution in the United States. Much of their growth has come through automobile financing, but they have also purchased E. F. Hutton's commercial lending arm and BankAmerica's direct consumer loan operations, as well as financed the leveraged buy out of National Car Rental. GMAC has acquired a mortgage and insurance company, and has established a money market fund for its employees. Ford Credit Corporation has purchased First Nationwide Bank and is introducing a credit card. In addition, the Japanese manufacturers are beginning to develop financing sub-

sidiaries, as several of the European manufacturers have done. Growth in size and types of services offered will continue, and financial institutions should make themselves aware of these trends.

Automobile leasing continued in 1988 as a growth industry, with an increase of 20% in the number of units leased as the changes from the Tax Reform Act of 1986 begin to take effect. This trend is also due to a number of other factors. From the consumers' perspective, leasing offers convenience, a minimal downpayment and no worries about disposing of the vehicle when the lease terminates. It makes it possible to both lower the monthly payment and to trade vehicles at more frequent intervals. There are also several ways the dealership may benefit from leasing. The average price of a leased vehicle is almost $18,000, compared to under $13,000 for a purchased automobile, providing higher margins per vehicle. The lease customer also tends to be more affluent and less price sensitive, and often drives fewer miles and maintains the car well, resulting in quality used cars at the termination of the lease. In addition, a much greater pecentage of lessors return to the same dealer for their next car than do buyers. Finally, from the lending institutions' perspective, there are also advantages to leasing. The leasing customer tends to be a good credit risk, is more sensitive to monthly payments than price or interest rate, and there is more profit potential per lease than per loan, provided residual values are accurately estimated.

The capti es have been very agressive in the leasing market as well. The three major financing subsidiaries are all offering, and vigorously marketing, a 24-month, closed end, fixed residual lease, in addition to their longer term leases. Leasing is having a major effect on European luxury cars business, as leases made up a major portion of new car deliveries for Mercedes, Peugeot, and Volvo in 1988. Automobile leasing is still a relatively new business, with half of the banks involved in leasing having started their programs in the last five years. There are opportunities, as some banks are doing quite well with leasing programs, but the business is very different from lending, and should be well understood prior to investing large amounts of time and money.

Like the automaking industry itself, automobile financing is not expected to grow dramatically in the coming decade. The industry will be taking a new shape however, as new types of organizations and services are developed, merger and acquisition activity continues, and foreign competitors enter the United States market.

The banking environment is becoming more dynamic and complex; the industry is consolidating, consumer preferences are changing, there are major shifts in demographics, new forms of competition are emerging, and innovative technologies continue to be developed. Lending institutions are going to be forced to be aware of the changes and adapt appropriately to be successful. It is the purpose of this survey to assist you in better understanding the complexities of automobile financing. It is hoped that the information contained in this report will be useful in examining trends that may affect Consumer Bankers Association members.

BACKGROUND

The 1988 Automobile Leasing and Financing survey was distributed to over 600 Consumer Bankers Association member institutions, including commercial banks, thrifts, and financial subsidiaries. The reponse rate this year showed an increase of 11% over 1987 from 159 completed surveys to 176. Increased member participation allows the sample to be stratified more finely to attempt to identify regional differences or differences in practices that may be related to an institution's size. It also provides a greater number of responses from which to base inferences, allowing more confidence to be taken in the results provided by the survey. Your cooperation is appreciated and encouraged.

While reading this report and examining the graphics, there are several issues to keep in mind. First, the numbers that are presented are averages for the item being discussed. In cases where extreme deviations from the average existed, those responses were deleted from the analysis to provide the most representative results. Second, the response rate varied greatly from question to question, and even within different parts of the same questions, and some questions permitted more than one response. For these reasons, in some cases totals do not add up to exactly 100% and numbers may vary slightly in different sections of the report. This is not an error, but is a reflection of the data as collected. Third, when conducting a survey it is always best, but not always possible, to have a random sample to ensure a normal distribution of responses. While this report may not be representative of the total U.S. automobile financing market, it accurately reflects the responses of CBA participants.

Part of the process of survey development involves obtaining input from CBA members regarding the items that might be included on the questionnaire. Several new items were included this year, some were modified slightly and some were deleted. Most of the changes have resulted in more accurate and useful responses. Throughout this report, an effort has been made to highlight meaningful differences that may exist across institution size and region. The survey results will again be broken down by geographic region where regional differences exist. Rather than using institution assets as the measure of size this year, the size dimension will utilize a measure of portfolio size for each of the leasing, lending, and floorplanning sections, where size differences exist. When examining responses that generated

few significant differences, only overall results will be discussed in the text. The geographic breakdown is presented below in Table 1:

GEOGRAPHIC BREAKDOWN

West (W):	AK, CA, CO, HI, ID, MT, NV, OR, UT, WA, WY
Southwest (SW):	AR, AZ, NM, TX
Midwest (MW):	IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI
Southeast (SE):	AL, DC, FL, GA, LA, MD, MS, NC, SC, TN, VA
Northeast (NE):	CT, DE, MA, ME, NH, NY, PA, RI, VT

Table 1

The Midwest, Northeast, and Southeast regions of the country generated the highest response rates, with a relatively even distribution by institution asset size. The lower response rates from the West and Southwest in many cases prevented the confident identification of regional differences. Table 2 presents respondents by institution asset size and geographic location:

COMPARISON OF NUMBER OF RESPONDENTS BY INSTITUTION ASSET SIZE AND GEOGRAPHIC LOCATION

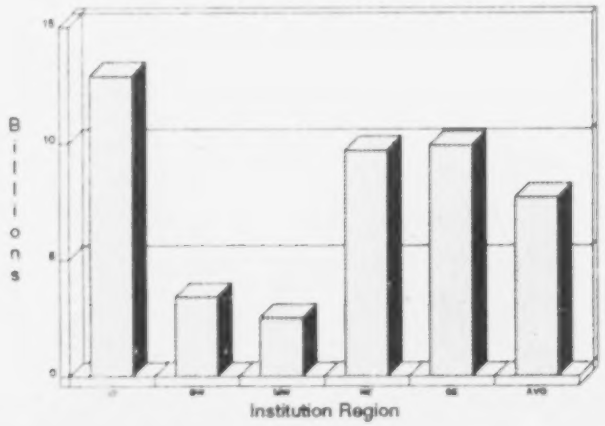
	Asset Size			
Region	Under $1B	$1B-$5B	Over $5B	Total
West	7	5	6	18
Southwest	3	3	2	8
Midwest	19	16	11	46
Southeast	9	22	19	50
Northeast	19	25	10	54
TOTAL	57	71	48	176

Table 2

Of those responding, 32% were from institutions with assets of less that $1 Billion, 40% have assets between $1 Billion and $5 Billion, and 28% have assets in excess of $5 Billion. These percentages are similar to the 1987 survey, although there has been an increase in participation by the smaller institutions. Table 3 graphically presents respondents by asset size and region. Respondents from the Western region had the highest average assets at $12.9 Billion, while the Midwest had the lowest at $2.5 Billion. The overall average was $7.7 Billion.

ASSET SIZE BY REGION

Table 3

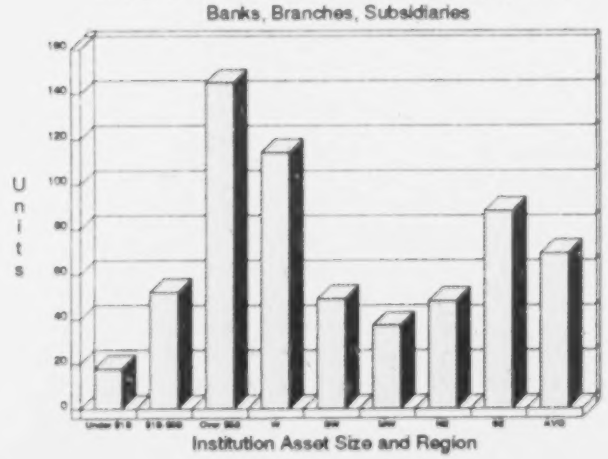


Another measure of institution size is the number of total operating units, including all banks, branches, and subsidiary units, presented in Table 4:

AVERAGE TOTAL OPERATING UNITS

Banks, Branches, Subsidiaries

Table 4



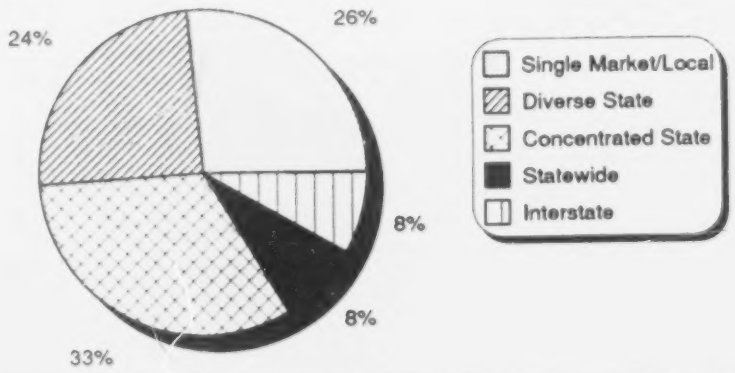
The average number of units is 67, compared with 54 in 1987. The strong relationship between asset size and number of units is apparent. The one exception is the Northeast, with an average of 48 units per institution, with a larger average assets base per individual operating unit.

The geographic distribution of automobile financing business varied considerably by asset size and is presented in Tables 5 through 7:

GEOGRAPHIC DISTRIBUTION

Under $1 Billion Institutions

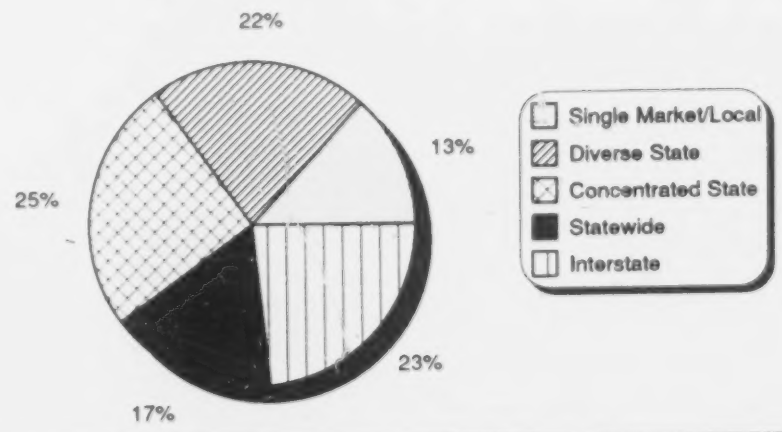
Table 5



GEOGRAPHIC DISTRIBUTION

$1B - $5B Institutions

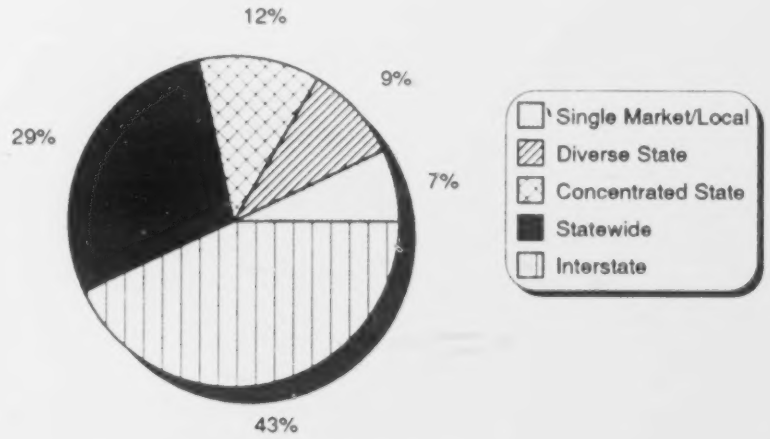
Table 6



GEOGRAPHIC DISTRIBUTION

Over $5 Billion Institutions

Table 7



With respect to the smaller institutions, there has been a substantial increase over 1987 in the percentage of diverse state regional, those institutions serving several regions within a state. This figure increased to 24% from 6% in 1987, and is accompanied by a reduction in the percentage of concentrated state distribution from 47% in 1987 to 33% in 1988. Similar changes have taken place with the medium sized institutions, with a reduction in statewide from 30% to 17%, along with an increase in interstate from 9% in 1987 to 23% in 1988. Few discernible changes have taken place with the largest institutions. Regionally, approximately half of the Midwestern institutions described themselves as having a concentrated state regional distribution, while the while almost three-quarters of Western institutions classified themselves as statewide or interstate.

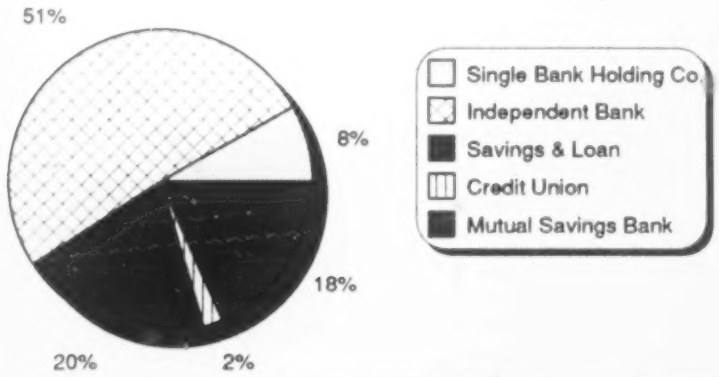
These results are consistent with those in Table 4, and would suggest that as consolidation of the banking industry takes place, financial institutions will consist of a larger number of individual units covering larger geographic areas.

There were six types of financial institutions represented in the sample, and these demonstrated major differences across institution asset size, as presented in Tables 8 to 10:

RESPONDENTS BY TYPE OF INSTITUTION

Under $1 Billion Institutions

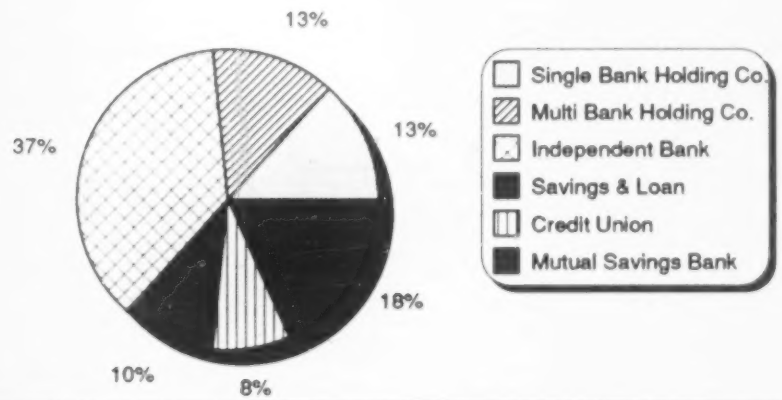
Table 8



RESPONDENTS BY TYPE OF INSTITUTION

$1B - $5B Institutions

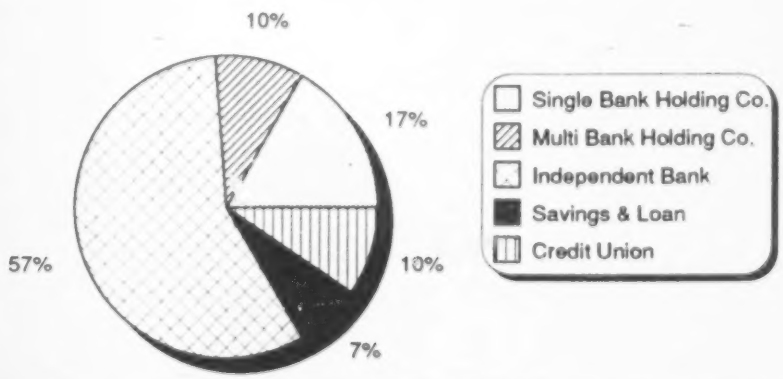
Table 9



RESPONDENTS BY TYPE OF INSTITUTION

Over $5 Billion Institutions

Table 10

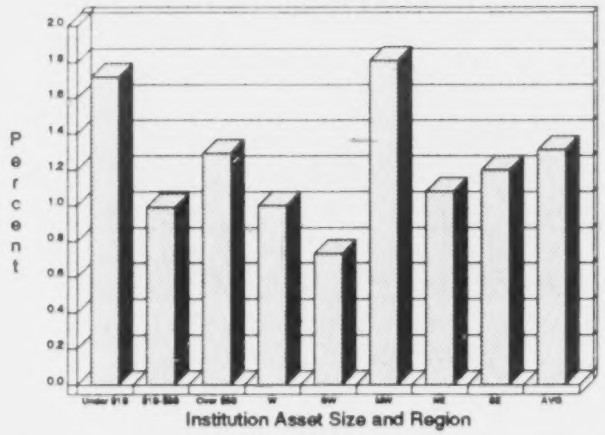


For the smaller institutions, holding companies comprised only 8% of the population, with over 50% of respondents being independent banks. Only medium sized institutions were represented by all six types of institutions, with holding companies making up 26% of the sample. Institutions with assets in excess of $5 Billion demonstrated similar characteristics, with 27% holding companies.

One major addition to this year's survey is the inclusion of performance measures, specifically return on assets and return on equity, the first of which is presented in Table 11:

Table 11

RETURN ON ASSETS

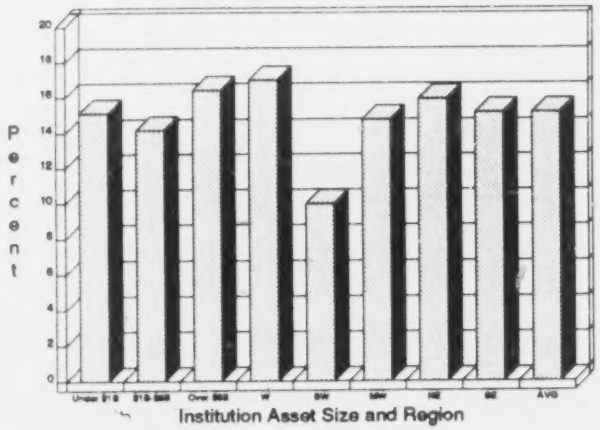


As might be predicted, the smaller institutions generated a greater return on assets than did their larger counterparts. The Midwest had an average ROA of 1.81, followed by 1.2 for the Southeast, 1.08 for the Northeast, 1.0 for the West, and .73 for the Southwest. Overal average ROA was 1.31, but the range was extensive, from .10 to 2.87.

Return on equity also varied substantially, in absolute terms as well as across size and region, as shown in Table 12:

RETURN ON EQUITY

Table 12



Larger institutions tended to generate greater return on equity, although the differences were not as apparent as with ROA. The overall average was 15.17, with the Western region leading with a 16.96 ROE. The Southwest again trailed with an average ROE of 9.96. Similar to the situation with ROA, there was a wide range in reported performance, from 1.47 to 27.8.

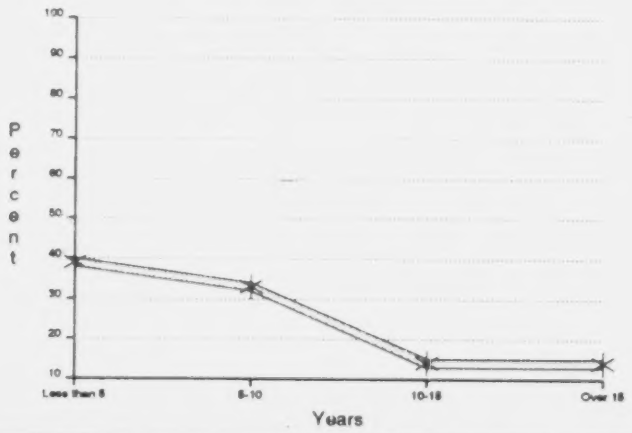
The following sections include a discussion of leasing, lending, and floorplanning, respectively. The information is provided to enable meaningful comparisons to be made between your associates and competitors. Where important trends appear to be emerging, they will be highlighted in the text and/or in a graphic illustration.

AUTOMOBILE LEASING

The number of survey respondents who are now offering leasing increased 16% to 80 in 1988, up from 67 in 1987, following a 10% increase from 1986. It is clear from the numbers that many CBA members perceive leasing to provide an opportunity for their organizations. Table 13 provides a graphic illustration of the distribution of institutions offering leasing by the number of years in the business:

YEARS INVOLVED IN LEASING

Table 13

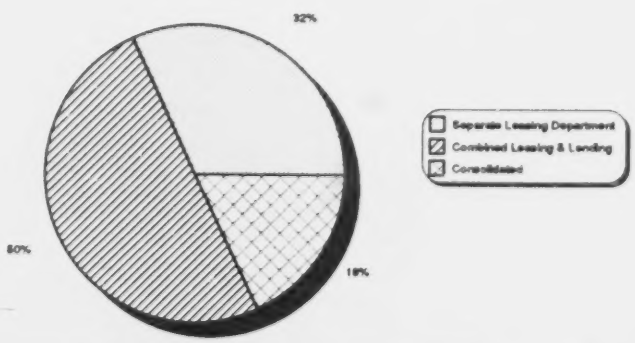


Less than one-third of respondents have been involved with leasing for more than ten years, and almost 40% of respondents have offered leasing for less than 5 years. The overall average is 7 years.

There are a variety of ways that financial institutions involved with leasing are organized, as shown in Table 14:

ORGANIZATION STRUCTURE

Table 14



Approximately one-third of responding organizations have a separate leasing department, half combine leasing with lending, and 18% consolidate these functions into consumer financing.

The collection department is a separate and independent department or division in 93% of responding institutions.

Lease Portfolio

As previously mentioned, portfolio size rather than asset size was used to divide the respondents in this year's survey. In order to use a particular item to divide the sample, it must be reflective of the size of the lease portfolio, and have a very high response rate to maximize the number of institutions that can be included in the analyses. The measure used was the total closed-end lease contract receivables, due to the high frequency of responses to this item. An attempt was made to divide the sample approximately into thirds, and also to identify naturally occuring break points in the average portfolio. As a result, the cutoff points were at $10 Million and $50 Million, with the smaller portfolios comprising 29% of the sample, the medium sized portfolios 40%, and the larger portfolios 31%. Although it will be shown that open-ended leases are offered by many institutions, the average lease portfolio consists of less than 10% of this type of lease. As a result, the numbers that follow will be based only on closed-end leases. Tables 15, 16, and 17 present the portfolios by size and region:

Table 15

TOTAL PORTFOLIO OUTSTANDING
Number of Leases-Closed-End

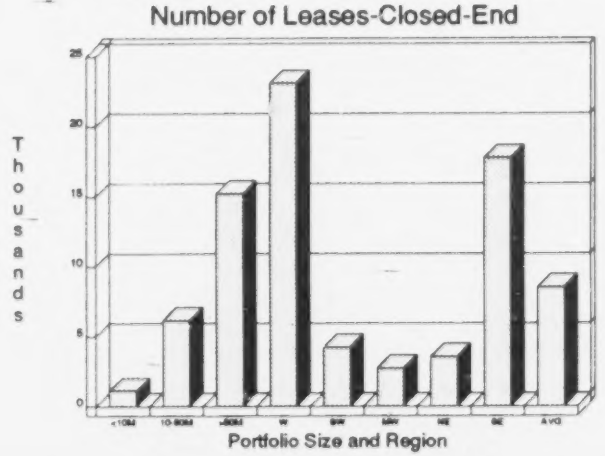


Table16

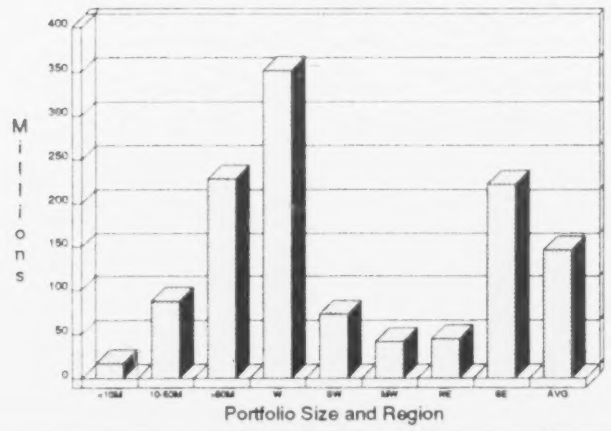
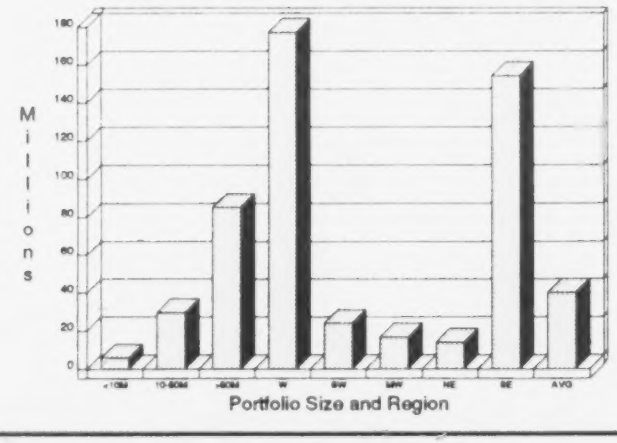


Table 17



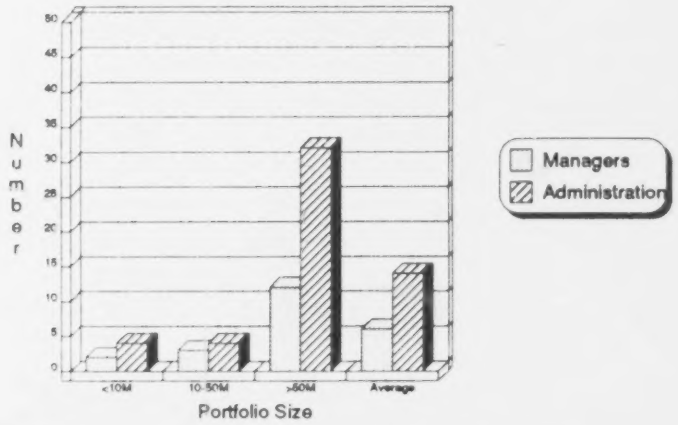
The overall average lease portfolio consisted of 8511 leases with a total lease contract receivable value of $146.4 Million, and total residual value of $40 Million. There were significant differences across regions, with respondents from the Western and Southeastern regions having the largest portfolios. The average individual lease contract receivable was $14,585 with a residual value of $5,662.

Employees

The 1988 survey contained items pertaining to the number of employees and salaries for the leasing function. There were no major regional differences that were independent of size effects, and Table 18 presents the distribution of employees by portfolio size:

PERSONNEL DISTRIBUTION

Table 18



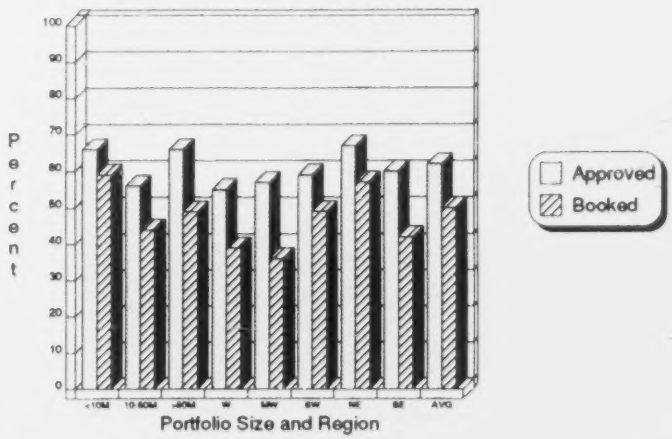
The larger institutions employed more individuals, as would be expected, but the smaller and medium sized organizations devote approximately the same numbers of employees to leasing activities. There were no discernible salary differences across size or region. The average managerial salary was $31,795, while the average administrative salary was $16,461.

Lease Approval

In 1988 the average lease approval rate was 62%, an increase from the 57% approval rate of 1987. This may reflect an increase in the number of affluent applicants who are now gaining an interest in leasing. The average lease approval rate, as well as the percentage of leases booked is presented in Table 19:

LEASE APPROVAL RATE

Table 19

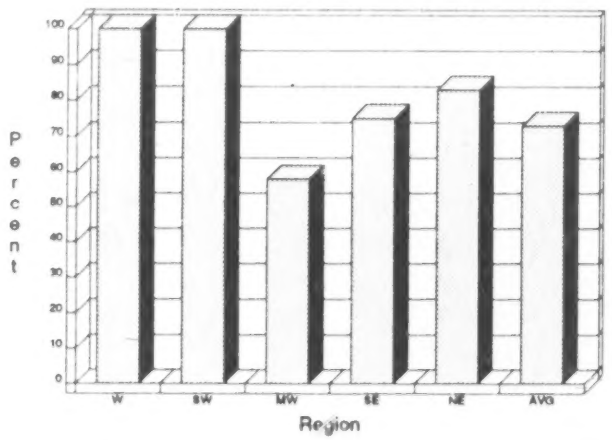


Lease approval rate varied across portfolio size, as the smaller institutions had a high rate of acceptance at 66%, and a high booking rate at 59%. Regionally, the Northeast had the greatest percentage of leases accepted and booked at 67% and 57%, respectively. Those institutions in the Midwest booked only an average of 36% of lease applicants, even though they approved an average of 57% of applicants. Due to the relatively high cost of processing a lease application, an analysis of the quality of the indirect applicant and the volume of applications from various dealerships could be conducted. This would enable management to determine those for whom your organization is a primary lessor, and applications from those dealerships could be encouraged.

The use of a lease acquisition fee has become much more common as 73% of respondents charged customers to initiate the lease, compared to 40% in 1987. There were substantial regional differences in the utilization of this fee, as shown in Table 20:

LEASE ACQUISITION FEE

Table 20

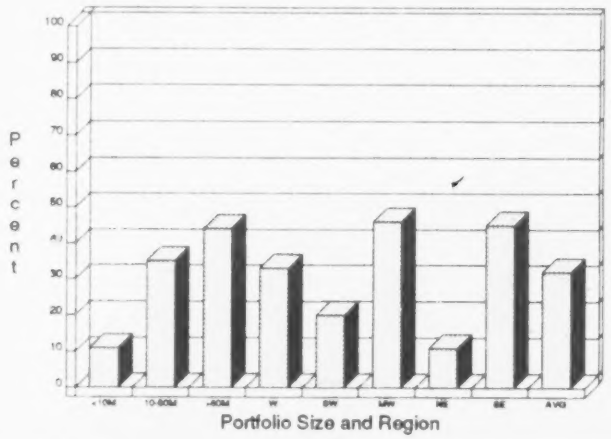


All of the respondents from the West and Southwest charge a lease acquisition fee, while it is used by only 53% from the Midwest. A flat fee was most commonly used and averaged $225. A security deposit of one month's rent is charged by 98% of total respondents.

Credit scoring was used by 32% of the overall sample in 1988. Once again, major differences existed across size and region, as shown in Table 21:

CREDIT SCORING

Table 21

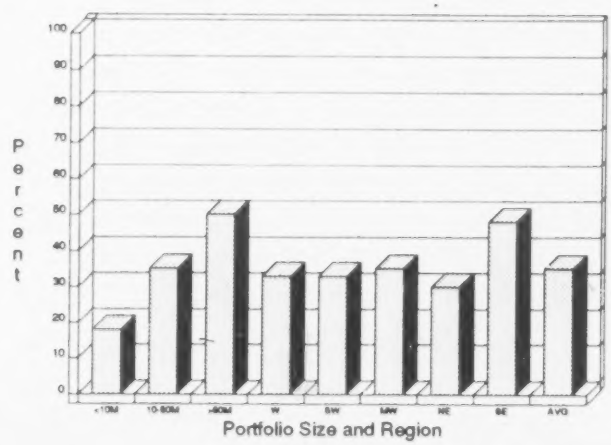


The larger institutions are making much more common use of credit scoring, at 44%. Regionally, the lessors in the Southwest and Northeast utilized credit scoring least frequently at 20% and 11%, respectively.

Similarly, the use of an automated credit processing system varied considerably across size and region, with an overall average of 35%. Almost half of the larger institutions and those in the Southeast utilized automated credit processing, while in the Northeast 30% used it. Table 22 illustrates the distribution:

AUTOMATED CREDIT PROCESSING

Table 22

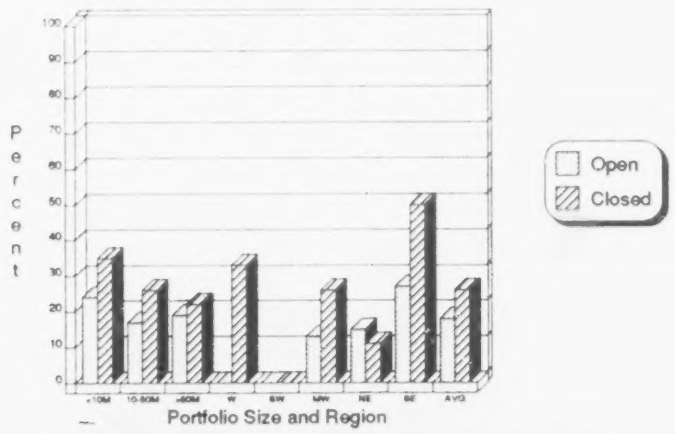


Lease Offerings

As has been shown above, the average indirect lease portfolio is substantially larger than the direct portfolio. This reflects the fact that most lessors are offering indirect leases, while a much smaller percentage are offering direct leases. Table 23 and 24 illustrates the percentage of institutions offering direct and indirect leases by open- and closed-end leases:

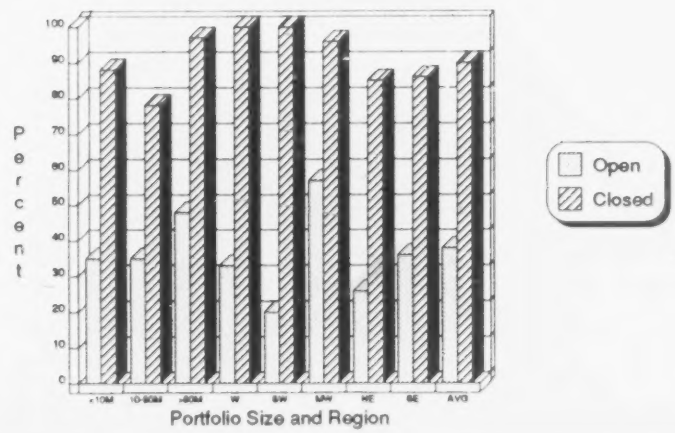
DIRECT LEASING OFFERING

Table 23



INDIRECT LEASING OFFERING

Table 24



As can be seen, the offering of open-ended leases was much less common than closed-end in both direct and indirect leasing, offered by only 18% of direct lessors and 38% of indirect lessors. Only in the Northeast was the open-end lease offered more frequently than the closed-end, and then only for direct leases. Respondents

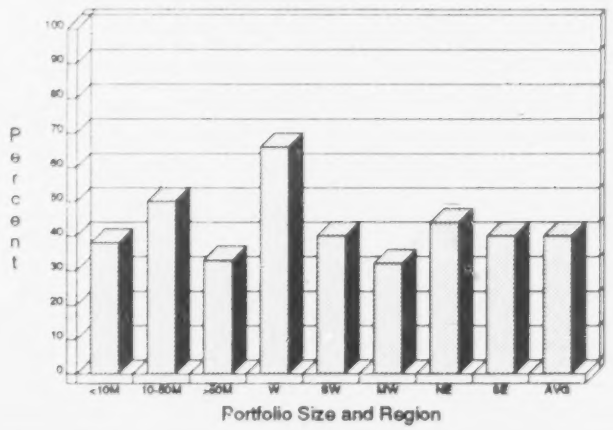
from the Western and Southwestern regions did not offer open-end leases at all. 50% of Southeastern respondents offered closed-end direct leases. The closed-end, indirect lease was the offering of choice by the vast majority of respondents. The average term of the open-end lease was 38 months, and for the closed-end lease it was 48 months.

Capital Cost

With the growth of leasing activity and complaints about "bait and switch" techniques, disclosure requirements are an emerging consumer issue in most areas of consumer financing. In 1987, 37% of respondents disclosed the capital costs of their leases, and that figure rose to 40% in 1988. There exist, however, substantial regional differences in disclosure practices, as illustrated by Table 25:

CAPITAL COST DISCLOSURE

Table 25

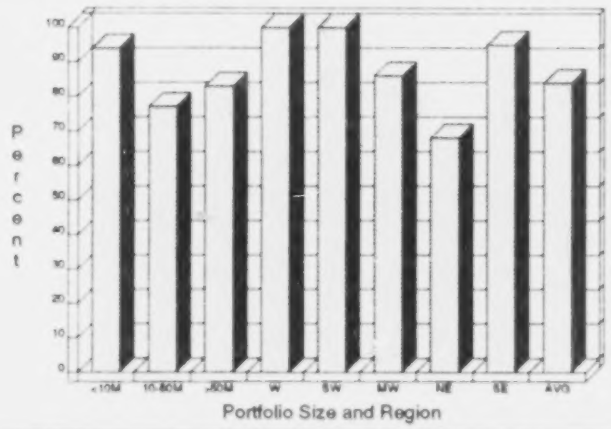


The percentage of institutions disclosing capital costs ranges from a low of 32% in the Midwest to a high of 66% in the West. One major change from 1987 took place in the Northeastern region, as disclosure is now practiced by 40% of respondents, compared to less than 20% in 1987. The average maximum capitalized cost as a percentage of manufacturer's suggested retail price was 105% for domestic vehicles, and 108% for imports, with a range from 100% to 135%. 15% of total leases booked had a capital cost reduction.

Most financial institutions offer the capitalization of fees and taxes to reduce out of pocket expenses for the lessee. The percentages of institutions capitalizing the various fees and taxes are presented in Table 26:

FEE CAPITALIZATION

Table 26

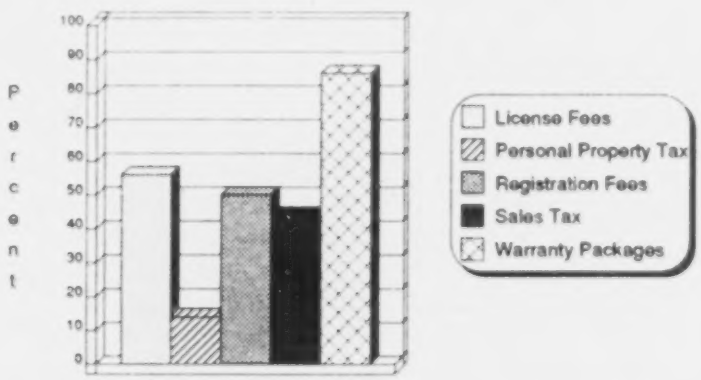


Overall 84% of respondents utilize fee capitalization, but the practice varies by region. All of the Western and Southwestern institutions capitalize, while it is done by only 68% of the respondents in the Northeast.

The fees and taxes are capitalized at various rates, as shown in Table 27:

CAPITALIZATION OF FEES AND TAXES

Table 27



Warranty packages are capitalized by an average of 86% of respondents. License fees, personal property tax, and registration fees are not capitalized in the Western and Southwestern regions, but are commonly capitalized in other regions. Sales tax is capitalized by only 10% of respondents from the Northeast. The differences in these practices may reflect organizational policy or legal statutes specific to a given state or region.

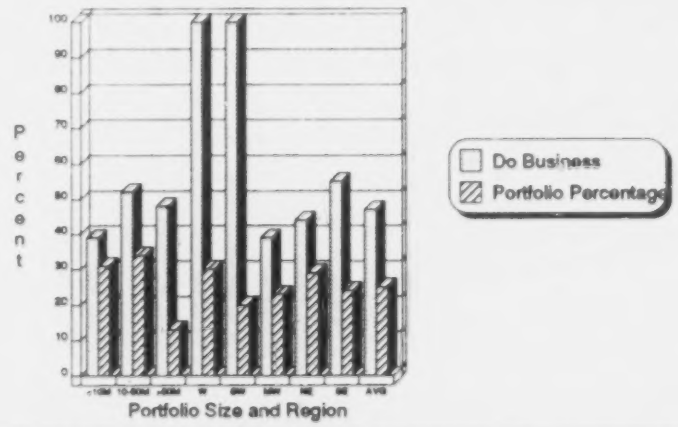
Leasing Activity

The overall lease market grew by approximately 200,000 units in 1988, and it is very likely that some CBA members captured a portion of that increase. When reading this section it is important to remember that the newer entrants into the leasing business will decrease the average size of portfolios due to the inclusion of their smaller portfolios in the analysis. In addition, it is very difficult to accurately assess the real growth in this area, due to the exponential growth rates of institutions just entering the leasing business.

There are three basic sources of lease business for the financial institution, auto dealerships, lease brokers, and direct to the consumer. Almost all institutions do indirect business with dealerships, but the percentage that do business with lease brokers varies considerably by region, as shown in Table 28:

LEASE BROKER BUSINESS

Table 28



All respondents from the Western and Southwestern regions reported doing business with lease brokers, although the overall average was 47%. There was not a lot of variance with regard to the percentage of the portfolio that was leased through a broker, which averaged 25%.

The reporting of averages can be somewhat misleading, but with an increase in the number of leasing participants, and no major decrease in the overall average lease activity, it can safely be assumed that there has been a net increase in leasing business in 1988. Tables 29 and 30 present a profile of average lease activity in 1987 and 1988:

Table 29

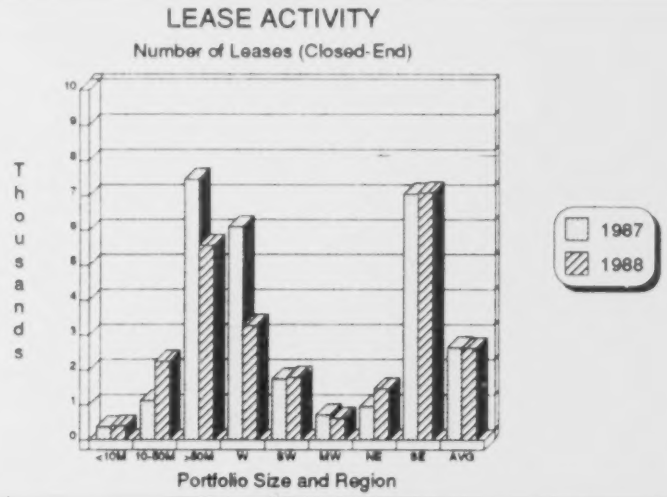
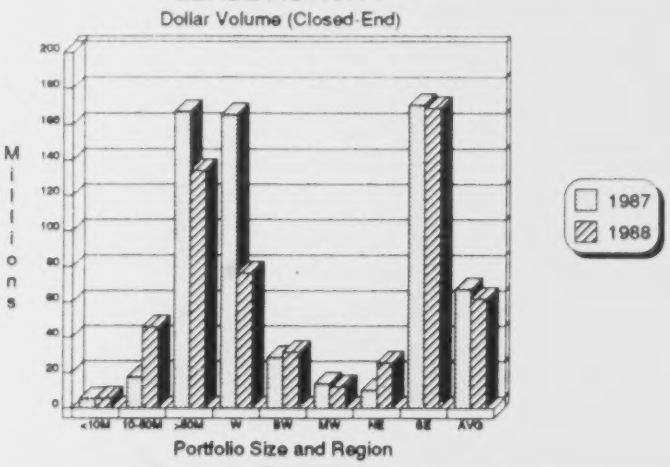


Table 30



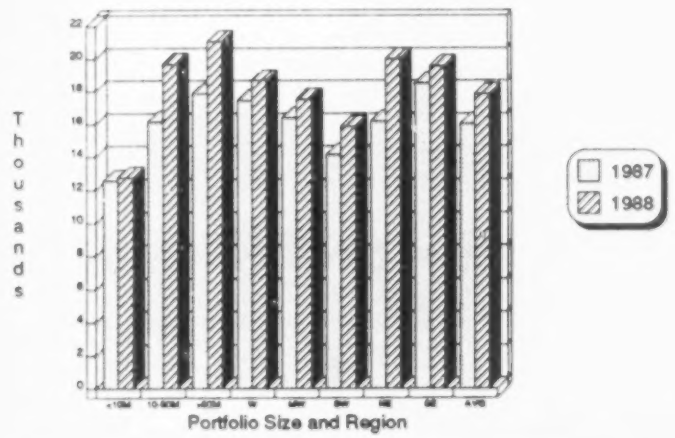
There has been virtually no change in the number of leases in the average lease portfolio, from 2650 in 1987 to 2625 in 1988. The only region that suffered a reduction was the West, but this reduction was caused in part by several new entrants into the leasing market. These results are mirrored by the average total capital cost figures. After eliminating major outliers through statistical computation, it would appear as if the average gain for established leasing operations was 4% in number of leases and 11% in dollar volume. Over 59% of respondents showed an increase in the number of leases while 65% showed an increase in dollars.

One clear trend that has emerged over the last several years has been the continuous increase in the capital cost of the average car lease. Since the Tax Reform Act of 1986, leasing has become a more attractive alternative, particularly for the

more affluent customer, and two distinct automobile markets may be emerging. Table 31 presents average capital cost by size and region:

AVERAGE CAPITAL COST

Table 31



The capital cost of the average closed-end lease increased again in 1988 to $17,836, from the $16,032 figure reported for 1987. Regionally, the Northeast had an average in excess of $20,000, with the Southeast and Western regions close behind at $19,580 and $18,675, respectively.

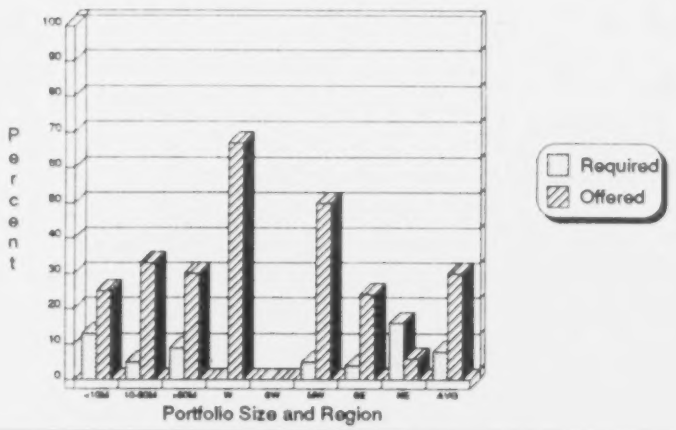
In this year's survey respondents were asked to disclose their total marketing budget for promotion, advertising, and direct mail. Although response rates were too low to make any substantive claims, it would appear as if the West and Southeast, those with the most leasing activity, also have the largest marketing budgets. The overall average was $21,500 but the range was quite large, as 27% of respondents reported that they spent nothing, while 7% spent over $100,000.

Insurance

Many financial institutions offer insurance to the lessee as part of the lease arrangement. For those who do offer insurance, 50% offer Residual Life, while 6% offer Credit Life. There are also a large variety of other types of policies offered. Insurance is required in some lease arrangements, and is optional in others, as shown in Table 32:

LEASE INSURANCE

Table 32



Very few regions in the country require insurance, with the exception of the Northeast, where 16% of responding institutions required insurance. No respondents from the Southwest either require or offer insurance, while it is optional in many Western and Midwestern institutions. The overall average was 7% required and 28% optional.

Lessors must also be concerned with protecting their loans, and the purchase of residual value insurance is becoming more popular. The average premium per lease was 1% of capitalized cost, and 28% of respondents buy residual value insurance with deductibles. Approximately 26% of respondents already have or plan to implement a leasing program without residual value insurance in the coming year. For the average respondent, a number of claims equal to 3.44% of the lease portfolio were submitted under residual value insurance policies in 1987 and the average claim amount was $1,789. Residual value insurance applied on 5.5% of leases which reached scheduled termination.

Lease Termination

The length of the average lease has extended in recent years, but the average portfolio turnover has remained relatively constant at 37 months. With regard to the termination of leases, 67% of respondents allowed third party assumptions of leases, and 27% were converted into new lease contracts. 75% of respondents allow extensions of the existing lease beyond the original terms of the lease. In 1988, 30% of all leases terminated early compared to 27% in 1987, 34% of all leases reached

term, and 2.43% of new leases terminated before the first year. As the term of the lease is extended, there is a tendency for the lease to be terminated prior to maturity. The average length of terminations varies as shown below in Table 33:

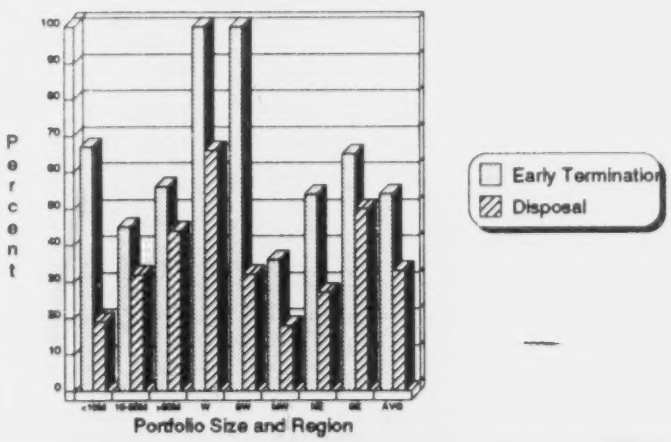
Table 33

12 month lease--11.1 months
24 month lease--23.4 months
36 month lease--31.2 months
48 month lease--35.9 months
60 month lease--47.3 months

Many institutions apply a penalty fee for early termination and some apply a disposal fee when the lease matures. Use of these fees is presented below in Table 34:

Table 34

LEASE TERMINATION FEES



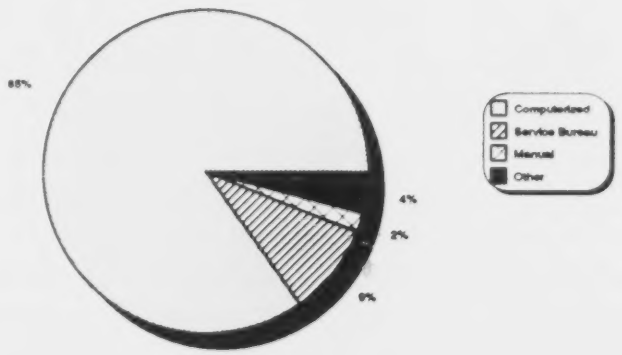
An early termination fee was applied by 55% of respondents, and averaged $200, while a disposal fee was applied by 33% of respondents, and averaged $170. As is shown above, the Western and Southwestern institutions all apply an early termination fee, while this is done by only 36% of respondents from the Midwest. The use of a disposal fee also varies substantially by region.

Credit Quality

Computers have been used to manage the lease accounting system for the majority of institutions for several years, and the percentage increased again this year from 77% in 1987 to 85%. Only 2% of respondents were using a manual system, compared to 4% last year, but 9% of respondents continue to use a service bureau. Table 35 presents a breakdown of the systems in use:

LEASE ACCOUNTING SYSTEM

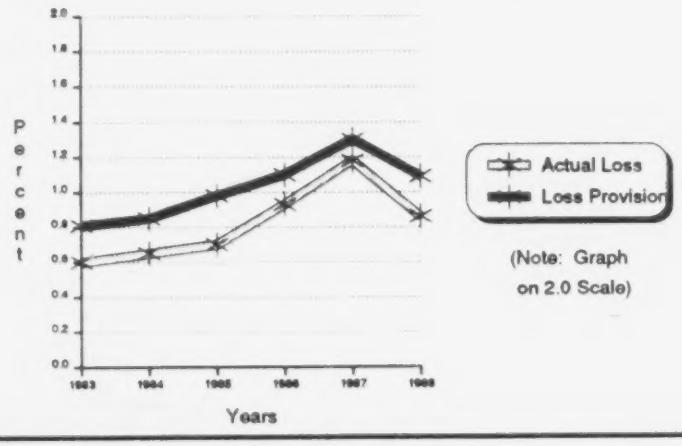
Table 35



The loss provisions and actual losses reported by respondents in 1988 decreased slightly. There are two reasons for this. First, there were a few institutions that had very large provisions and losses that biased the sample, and those were eliminated in this year's analysis to obtain more representative results. Second, the results would suggest that as financial institutions are gaining experience in the leasing business, they are acquiring a better understanding of their customers and of residual values. Loss provisions and actual losses are shown in Table 36:

LOSS PROVISION & ACTUAL LOSSES

Table 36

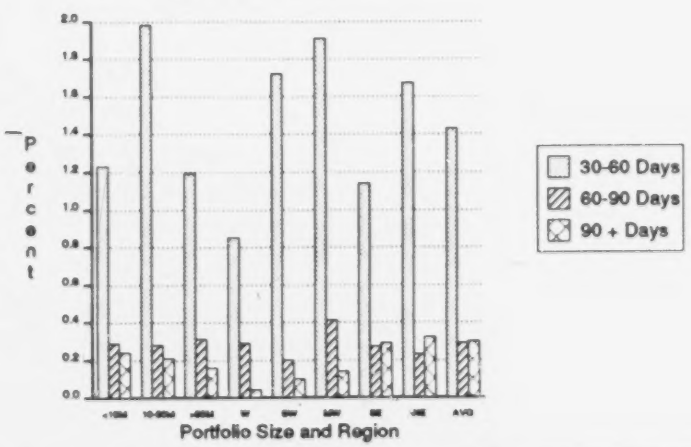


The overall average loss provision was 1.09% of average net outstandings, a decrease of .21% from 1988, while reported losses averaged .86%, a decrease of .22%. Once again the response rate to this item was quite low at 31%, so these result should be interpreted with caution.

The average percentage of lease delinquencies 31 to 59 days overdue for 1988 was 1.43%, compared to 1.62% in 1987. For 60 to 89 days the average was .29%, and .20% for over 90 days. These figures did vary somewhat by institution size and region, however, as presented in Table 37:

DELINQUENT LEASES

Table 37

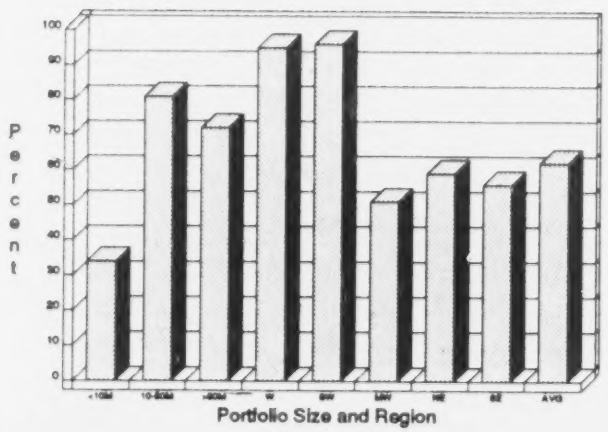


The medium sized institutions had a slighly higher delinquency rate at 1.98%, however no institutions had a high delinquency rate for 30-89 days or over 90 days, which would suggest that they have customers who are not in danger of default but who tend to make their lease payment a bit late. The Western region had the lowest overall delinquency rate at .85%, which may be due to the fact that many of the repondents from this region have a considerable amount of leasing experience and may be better able to handle their receivables.

The number of automobile repossessions appears to have varied slightly, but averaged less than 1% of outstandings for all regions in 1988, as shown in Table 38:

LEASING REPOSSESSIONS

Table 38

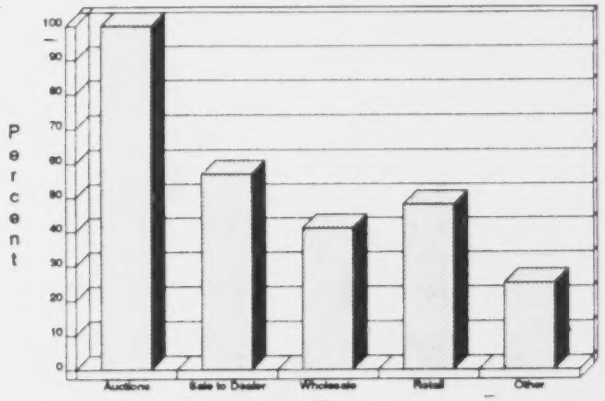


Repossessions resulted in an average loss of .62% of outstandings, from a high of .96% in the Southwest to a low of .51% in the Midwest. The average loss per repossession was $4,463.

Repossessed automobiles must be disposed of in some manner, and there are a variety of ways of doing so. All respondents utilized a public or private auction for disposal, but several used other means. Table 39 presents a profile of the percentage of respondents who utilized the different methods:

DISPOSITION OF REPOSSESSIONS

Table 39



Conclusion

There has been substantial growth in demand for leasing in the last several years, and there is no sign that the growth is going to abate. Leasing is becoming attractive to a more affluent consumer who is less price sensitive and more interested in convenience. Leasing is attractive to dealers who can generate better margins, develop loyal customers through service contracts, and have quality used cars available when the lease matures. Leasing is attractive to the financial institution because of the creditworthiness of the lessee, the higher capital cost of the vehicle, and the opportunity to compete with the captives. Some interesting information from this year's survey includes the following:

- 40% of lessors had leasing programs for less than 5 years.
- Lease approval rates continue to increase.
- Almost 90% of lease activity in 1988 was in closed-end leases.
- A lease acquisition fee is now used by 73% of respondents.
- There has been an increase in the use of credit scoring.
- Lease brokers have become a common source of business.
- Capital cost has increased to almost $18,000.
- There continues to be an increase in capital cost disclosure.

- Capitalization of fees is done by almost all respondents.
- Longer leases have a greater chance of early termination.
- Over 30% of all leases terminate early.

Automobile leasing does indeed provide many opportunities for a number of financial institutions, but one must keep in mind that in 1988, many lessors suffered a decrease in business in a growing market. The accurate prediction of residual values will be a major factor to success in this industry, and with the volatility in the used car market in recent years, the time horizon for accuracy has been shortened considerably.

AUTOMOBILE FINANCING

All 176 respondents to this year's survey were involved in automobile lending. The average number of years in the lending business was 27, with a range from 1 to 70 years, and 79% of respondents have been in auto lending for more than 10 years. With regard to organization, 26% of respondents have a separate lending department, 22% combine leasing and lending, and 52% consolidate these activities into consumer financing. The collection dapartment is a separate and independent department or division in 90% of responding institutions.

Loan Portfolio

As previously mentioned, portfolio size rather than asset size was used to divide the respondents in this year's survey. The measure used was the total indirect portfolio of outstandings, due to the high frequency of responses to this item. An attempt was made to divide the sample approximately into thirds, and also to identify naturally occuring break points in the average portfolio. As a result, the cutoff points were at $50 Million and $200 Million, with the smaller portfolios comprising 33% of the sample, the medium sized portfolios 36%, and the larger portfolios 29%. Table 40 and 41 present the portfolios by size and region:

Table 40

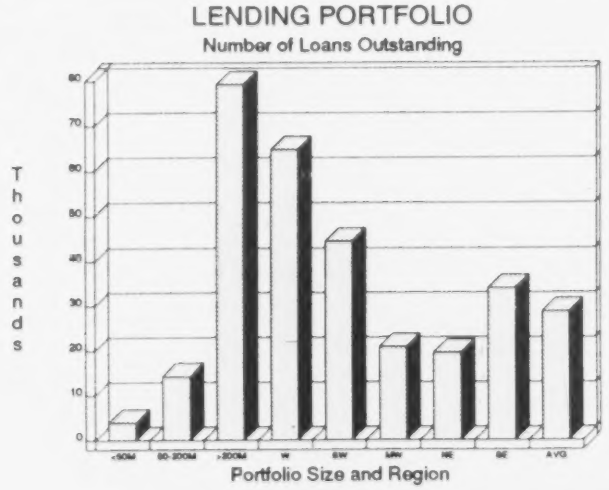
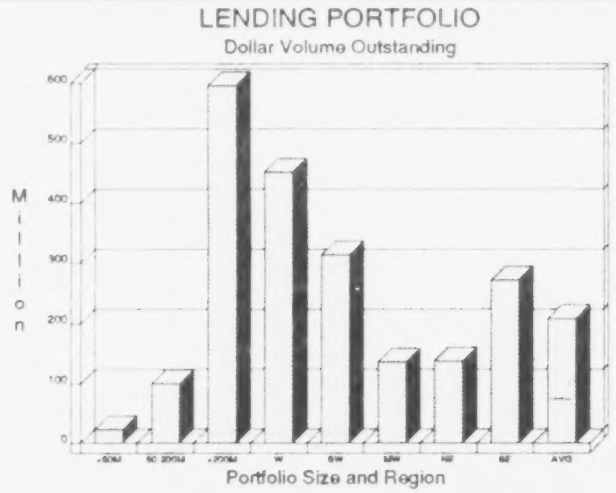


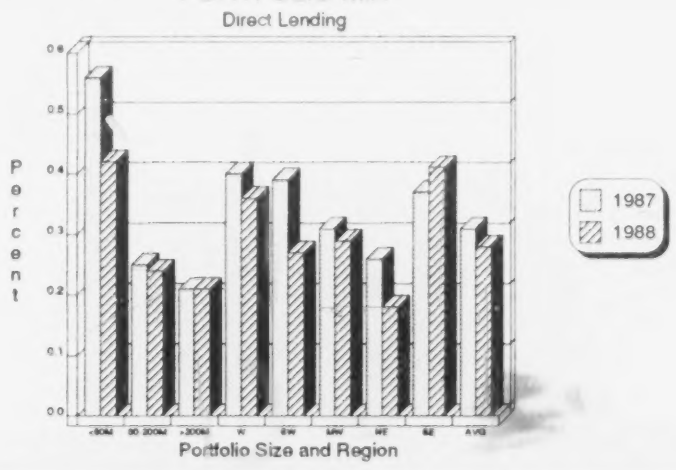
Table 41



The average portfolio of loans consisted of 28,791 vehicles at a value of $208 Million, compared to 30,217 vehicles at $195 Million in 1987. The average number of vehicles in the smaller portfolios was 3,910; 14,213 for the medium sized: and 79,241 for the larger portfolios. It is clear that regional differences existed in the number of automobile loans and dollar volume in the portfolio. The Western institutions had by far the largest average, with 64,800 loans valued at $452 Million, while the Northeast had the smallest average with 19,400 loans at $138 Million.

Over 95% of respondents offered both direct and indirect loans, while 5% offered only direct loans. The loan portfolio of most institutions, however, consisted primarily of indirect loans, as shown by the percentage of direct loans in the average portfolio in Table 42:

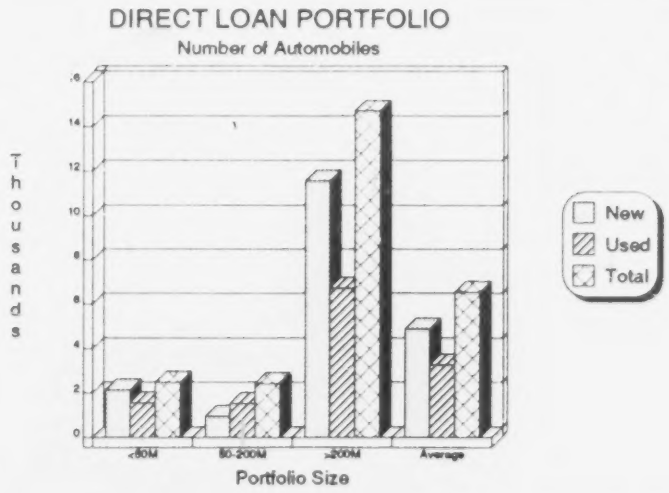
Table 42



The overall average of the perentage of direct loans in the portfolio has changed little from 1987, to 28% from 31%. There are certain advantages to direct loans from the lender's perpective; they result in fewer losses and repossessions and there are no dealer reserves to reduce the yield of the loan. As shown in the previous table, the smaller institutions tend to have a larger percentage of their business in direct lending relative to the larger institutions and they did approximately an equal amount of direct and indirect lending. In contrast, the larger institutions do a much greater percentage of indirect lending, comprising approximately 75% to 80% of their automobile portfolios in 1988. Regionally, the Northeast had the greatest percentage of indirect loans, and all regions except the Southeast experienced an increase in the percentage of indirect loans in their portfolios in 1988.

It has been shown that direct loans comprised approximately one-fourth of the average loan portfolio. Tables 43, 44, 45, and 46 provide a breakdown of direct and indirect portfolios:

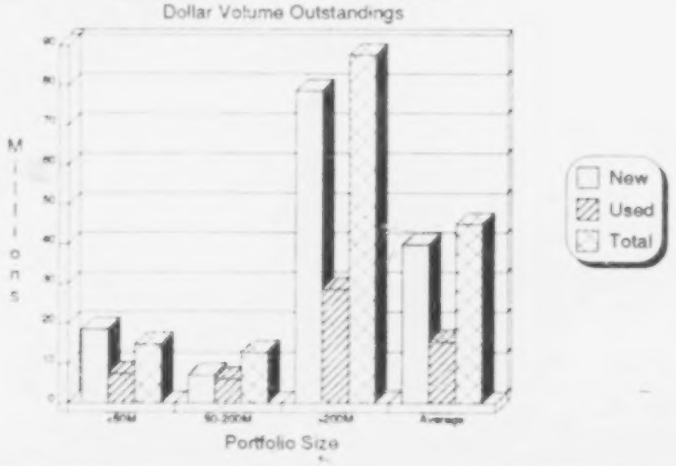
Table 43



DIRECT LOAN PORTFOLIO

Dollar Volume Outstandings

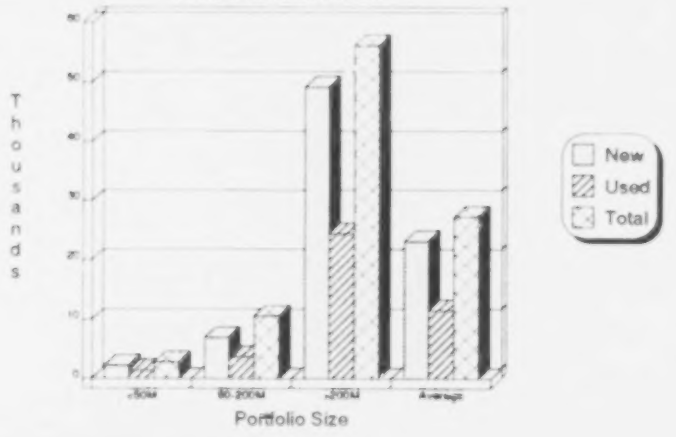
Table 44



INDIRECT LOAN PORTFOLIO

Number of Automobiles

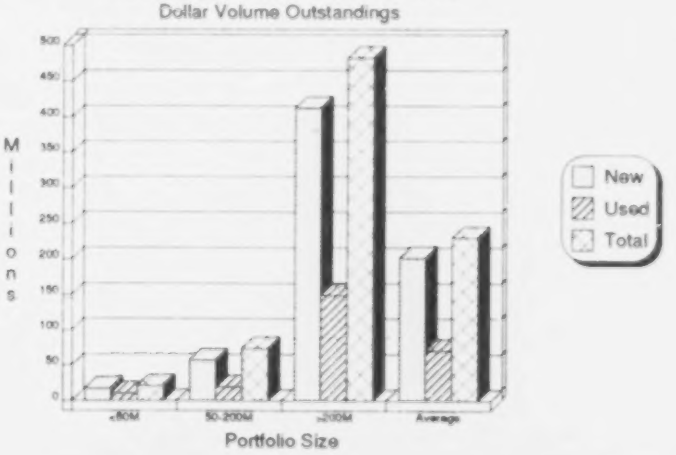
Table 45



INDIRECT LOAN PORTFOLIO

Dollar Volume Outstandings

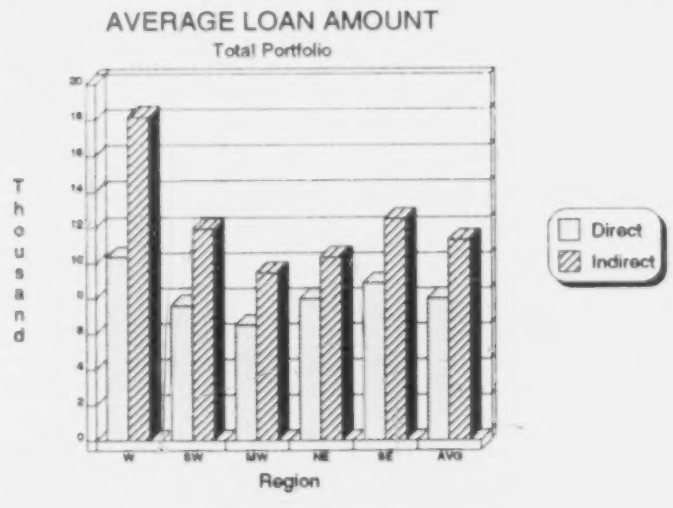
Table 46



The ratio of new to used cars in the direct loan portfolio is very different from that for the indirect portfolio as all institutions tend to do a larger pecentage of direct lending for used cars, with medium sized organizations actually doing a smaller number of direct new car loans than used car loans. The smaller institutions made approximately the same number of direct as indirect loans in 1988, 2475 and 2814, respectively. The average direct loan portfolio consisted of 5,217 loans for new cars, 3,621 loans for used cars, and a total of 7,529 loans. The average indirect loan portfolio consisted of 23,147, 11,504, and 27,227, respectively. The average direct portfolio outstandings was $39.9 Million for new cars and $15.5 Million for used cars, with a total of $46 Million. The average indirect portfolio consisted of $202 Million and $71 Million for new and used car loans with total loans of $230 Million.

The average loan amount in the total portfolio did not demonstrate any major size effects, yet did reveal some regional differences, as shown in Table 47:

Table 47



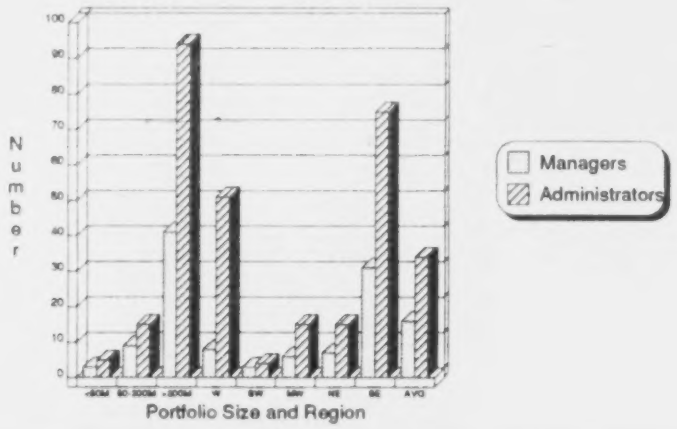
The Southeastern region had by far the largest average indirect loan at $9,119, while the Southwest had the largest average direct loan at $6,582. The overall average per loan in the portfolio was $5,654 for direct loans and $8,049 for indirect loans, again reflecting a greater percentage of used cars in the direct loan portfolio.

Employees

The 1988 survey contained items pertaining to the number of employees involved in the lending function, as well as salaries for these employees, presented in Table 48 and 49 by size and region:

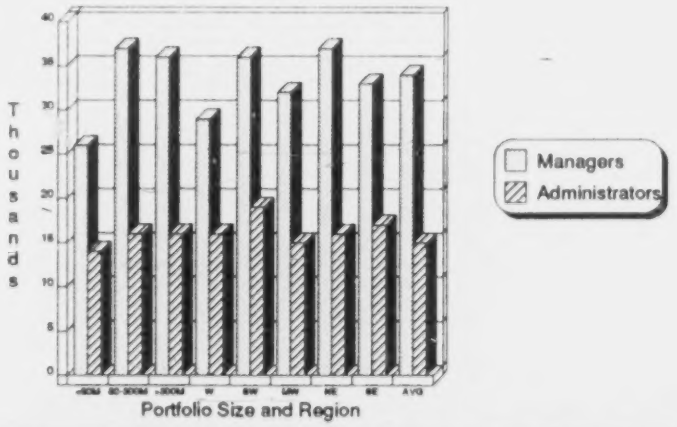
EMPLOYEE DISTRIBUTION

Table 48



EMPLOYEE COMPENSATION

Table 49



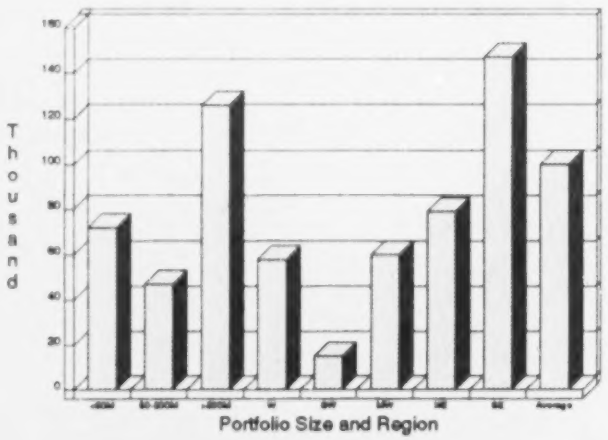
As expected, the larger institutions employed more individuals, but the ratio of managerial (exempt) employees to administrative staff remained fairly constant at approximately 1:2 across various situations with the exception of the Western region. It would appear as if the smaller institutions tend to pay a bit lower salaries than do their larger counterparts, but the medium sized firms and those in the Northeast offered the highest managerial salaries at over $37,000. The overall average was $33,637 for managers and $15,405 for administrative staff.

Advertising & Promotion

In this year's survey respondents were asked to disclose their total marketing budget for promotion, advertising, and direct mail. Significant differences were revealed across size and region, as shown in Table 50:

ADVERTISING AND PROMOTION

Table 50



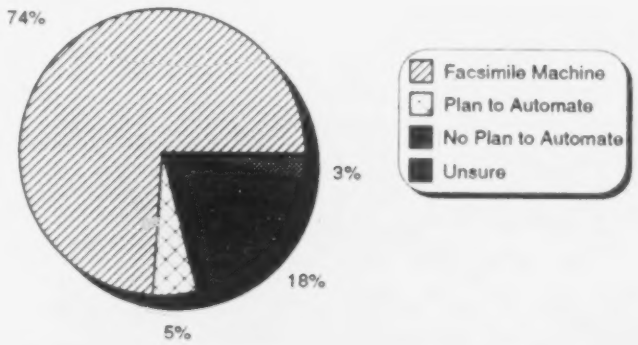
The overall average amount spent was $100,000 but, interestingly, the smaller institutions tended to outspend the medium sized organizations. Regionally, the Southeast had by far the largest budgets, with average expenditures of $147,000, compared to just $15,000 for Southwestern institutions. The overall range of spending was from $0 to over $1 Million, and 19% of respondents reported that their organizations spend nothing on advertising and promotion.

Dealer Relationships

One area of particular interest to many lenders is the advance in technologies that link lending institutions with automobile dealerships. In recent years the facsimile machine has become the most commonly used form of transmitting applicant information. Today, computer linkages offer the opportunity to further increase the speed of the loan application process. Tables 51, 52, and 53 display the various types of dealer relationships and plans for the future by institution size:

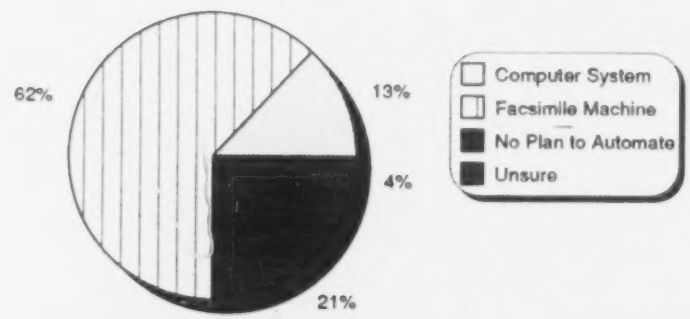
AUTOMATED DEALER RELATIONSHIPS
Portfolio Under $50M

Table 51



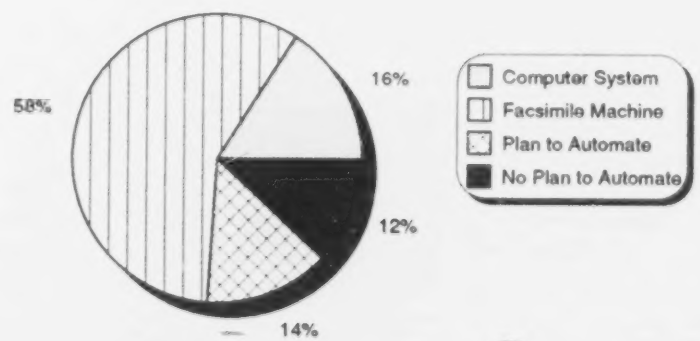
AUTOMATED DEALER RELATIONSHIPS
Portfolio $50M-$200M

Table 52



AUTOMATED DEALER RELATIONSHIPS
Portfolio Over $200M

Table 53



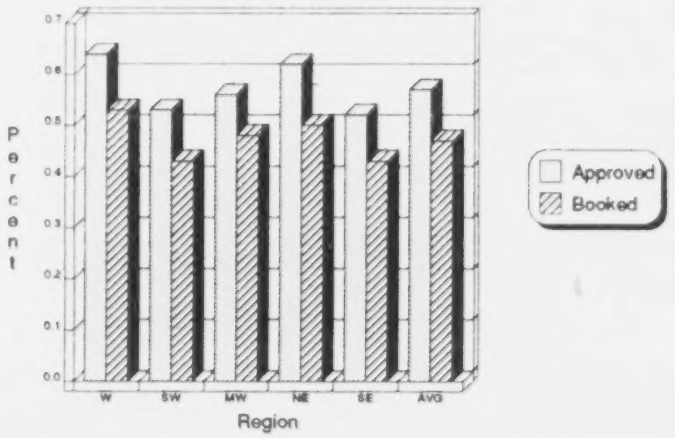
The facsimile machine was used by 74%, 62% and 59% of the smaller, medium and large institutions, respectively. Automated computer systems were utilized by 13% of the medium sized institutions and 16% of the larger ones. In 1987, approximately one-third of all respondents had no plans to automate; in 1988 that percentage is greatly reduced in all sizes of institutions, suggesting that more lenders are examining the computerized systems.

Loan Approval

In 1986 the average loan approval rate was 69%, possibly reflecting a reaction to the aggressive subvention policies of the captives during that year. In 1987 the approval rate dropped to 59%, and last year it was 57%. There were no major differences across institution size, but differences did emerge across regions, as shown in Table 54:

LOAN APPROVAL RATE

Table 54

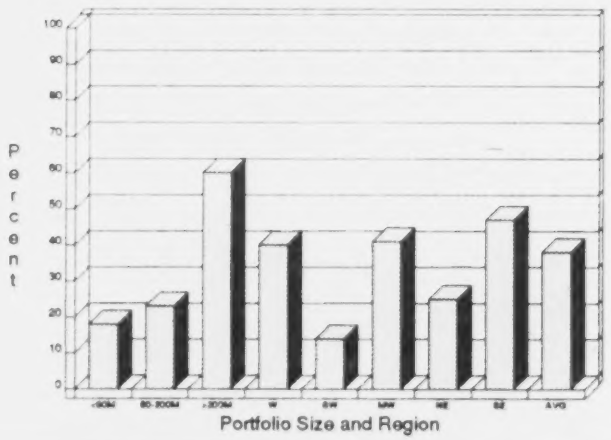


Similar to 1987, the West and Northeast had the highest approval rate, at 64% and 62%, respectively. The lowest approval rate was in the Southeast, at 52%. Only the West and the Northeast managed to book loans with 50% or more of their applicants, while the Southwest and the Southeast book only 43%. It might be wise to examine the quality of the indirect applicant and the volume of applications from the various dealerships. This would enable management to determine those dealers with whom your organization is a primary lender and then cultivate those relationships.

The use of credit scoring has increased from 29% of the overall sample in 1987 to 38% in 1988. Once again, major differences existed across size and region, as shown in Table 55:

CREDIT SCORING

Table 55

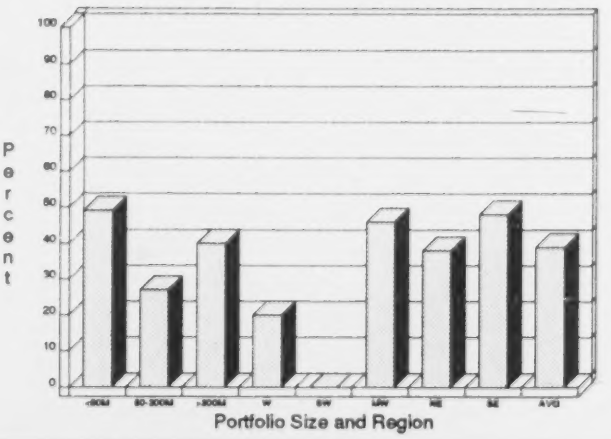


The larger institutions are making much more common use of credit scoring, showing an increase of 20% from 1987 to 60%. Regionally, the lenders in the Southwest and Northeast utilized credit scoring least frequently at 14% and 25%, respectively.

Similarly, the use of an automated credit processing system varied considerably across size and region, with an overall average of 39%. Almost half of the smaller institutions and those in the Midwest utilized automated credit processing, while the Southwest had no respondents that use it. Table 56 graphically illustrates the distribution:

AUTOMATED CREDIT PROCESSING

Table 56

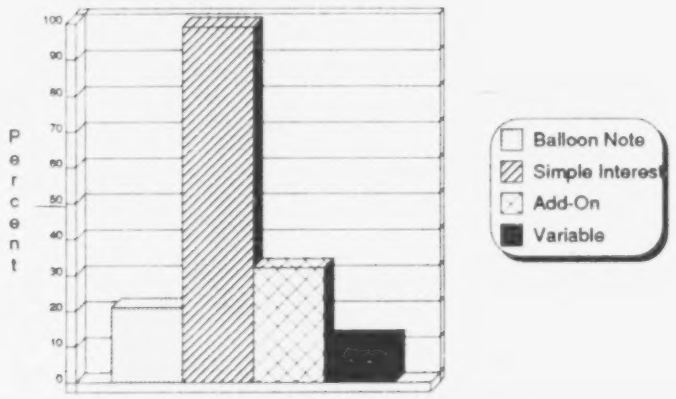


Lending Offerings

There are a variety of pricing/accounting methods being utilized by lending institutions. The percentages of institutions offering the various methods are presented for the entire sample in Table 57:

LENDING METHODS

Table 57

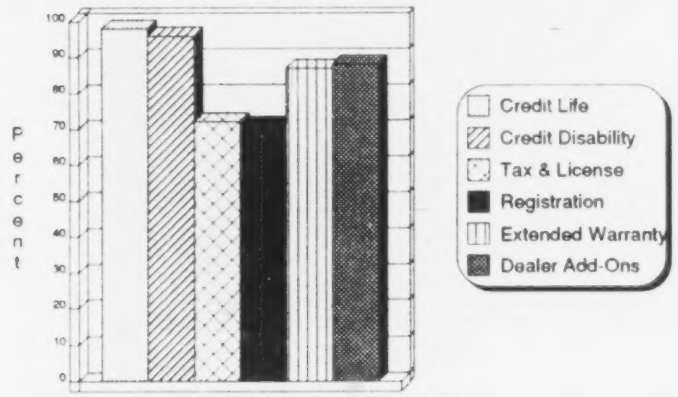


There was a substantial amount of agreement across size and region regarding the financing services, as all lending institutions offered the services in approximately the same proportions. Simple Interest was the most common method, offered by 99% of respondents. Balloon Notes were offered by 21%, Add-On by 32%, and a Variable Rate loan was offered by 12% of respondents. Simple Interest loans were by far the most commonly used type of loan. They accounted for a major portion of the lending activity in almost all organizations and made up 100% of the loan portfolio in over 50% of the sample.

Almost all lending institutions offered financing for items in addition to the automobile, as shown in Table 58:

ADDITIONAL ITEM FINANCING

Table 58



No major regional or size differences emerged in the offering of these services, and they are all offered by the vast majority of lending institutions. By providing these services, the purchaser is able to reduce the out-of-pocket expenses in the purchase of the automobile.

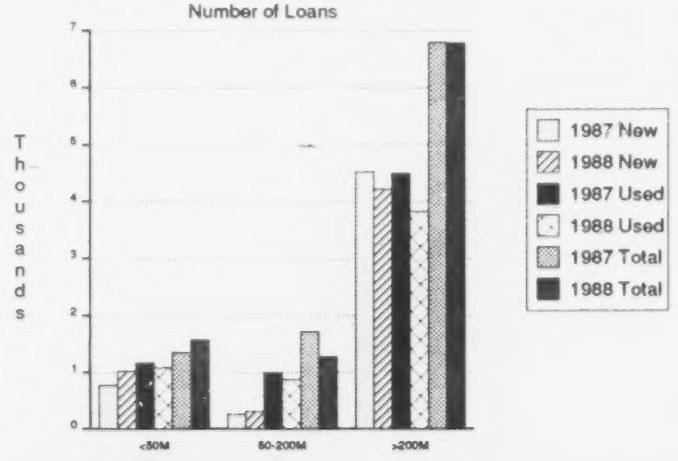
Lending Activity

There appeared to be more winners than losers among the respondents for this year's survey, as 60% reported an increase in the number of direct loans and 70% an increase in the dollar volume. On the indirect lending side 60% reported an increase in both number of loans and dollar volume. Average portfolio turnover was 32 months and 61% of total loans were paid out early. Tables 59, 60, 61 and 62 present profiles of lending activity for the current and prior year for direct and indirect lending:

DIRECT LENDING ACTIVITY

Number of Loans

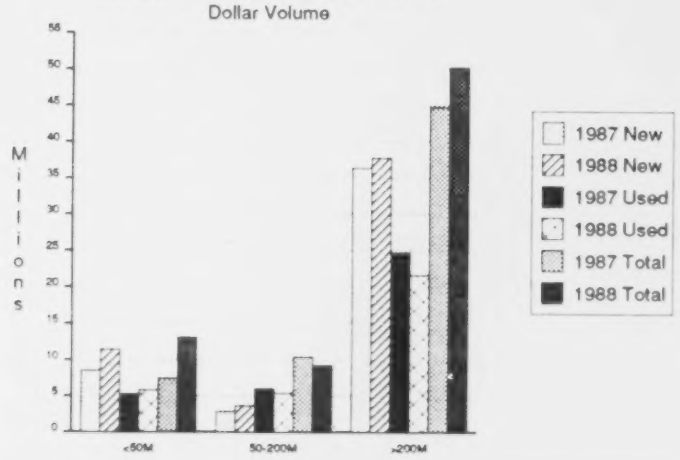
Table 59



DIRECT LENDING ACTIVITY

Dollar Volume

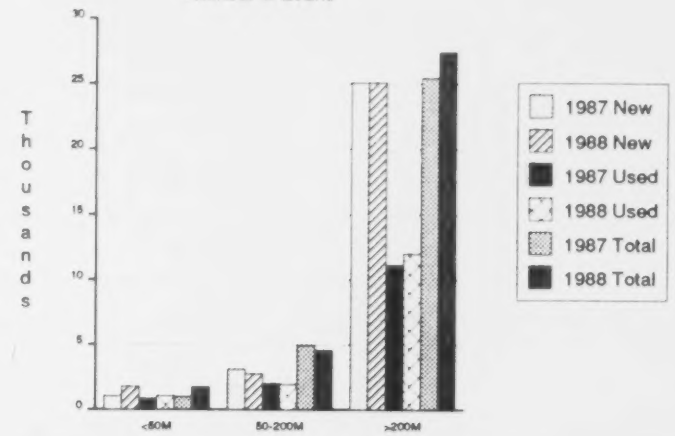
Table 60



INDIRECT LENDING ACTIVITY

Number of Loans

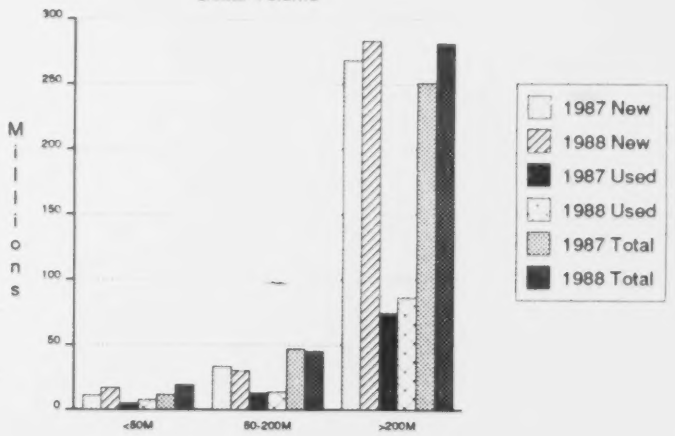
Table 61



INDIRECT LENDING ACTIVITY

Dollar Volume

Table 62



Once again, it is clear that a much larger percentage of direct lending activity involved used cars, with both smaller and medium sized institutions processing a greater number of used car loans than new car loans in 1988. Larger institutions processed only a slightly larger number of new car loans. The average used car loan was $6,377 and $7,552 for direct and indirect loans, respectively. On the indirect side, all institutions made a much larger number of new car loans than used car loans. The average new car loan was $11,527 for direct loans and $12,008 for indirect loans, perhaps reflecting additional dealer add-ons sold at the dealership.

At the other extreme, it is obvious that many respondents experienced a decrease in lending activity in 1988. The medium sized institutions seemed to suffer the most, with 50% having a lower number of indirect loans and 54% a lower dollar volume than in 1987. Performances varied significantly by region, as presented in Tables 63 and 64:

Table 63

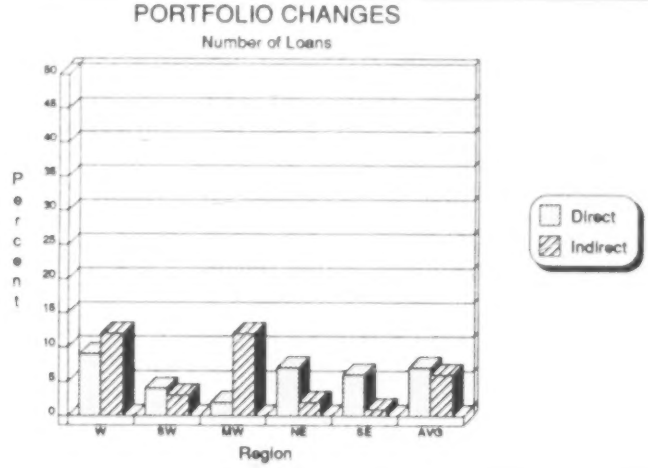
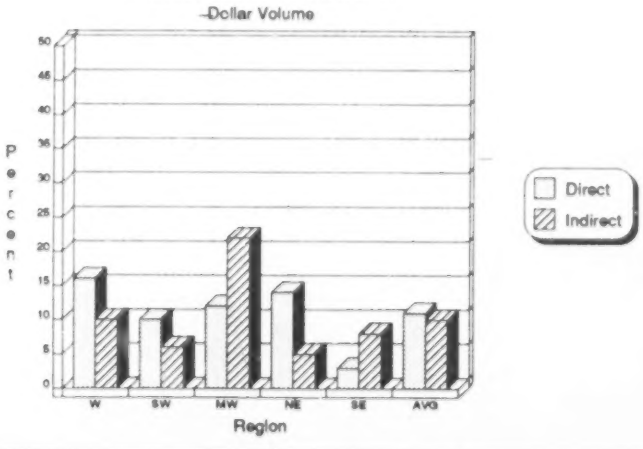


Table 64



There was an overall increase of 7% in the number of direct loans and an increase of 11% in dollar volume. Indirect loans increased 6% and 10% in number and dollar volume, respectively. Overall, the West and the Midwest seemed to fare better than other regions in 1988. More than 50% of respondents from the Southeast experienced decreases in their indirect portfolios. One fact that these results should highlight is that some lending institutions are doing very well, while those similar to them in size and region are performing very poorly. It is important for managers to identify those factors that differentiate the successful from the unsuccessful.

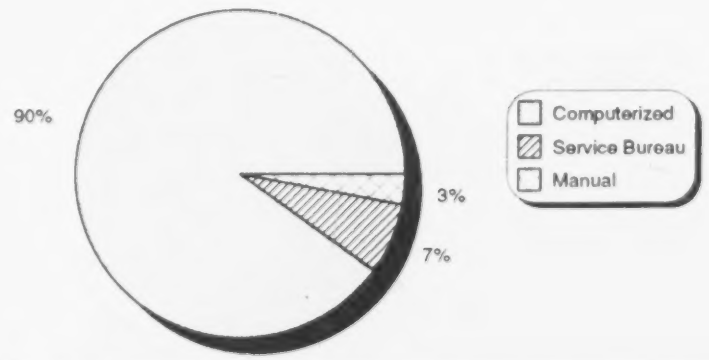
The average downpayment for new cars was $1,382 and $1,604 for used cars. The average term of the loan for new cars was 53 months, unchanged from 1987, but the average maximum maturity for new cars increased from 58 to 65 months in 1988. The average term for a used car loan was 41 months, with an average maximum of 53 months.

Credit Quality

Computers have been used to manage the lending accounting system for the vast majority of institutions for several years, and the percentage increased again this year from 87% in 1987 to 90%. Only 3% of respondents were using a manual system, compared to 6% last year, and all large banks reported using a computerized system. Table 65 presents a breakdown of the systems in use:

LENDING ACCOUNTING SYSTEM

Table 65

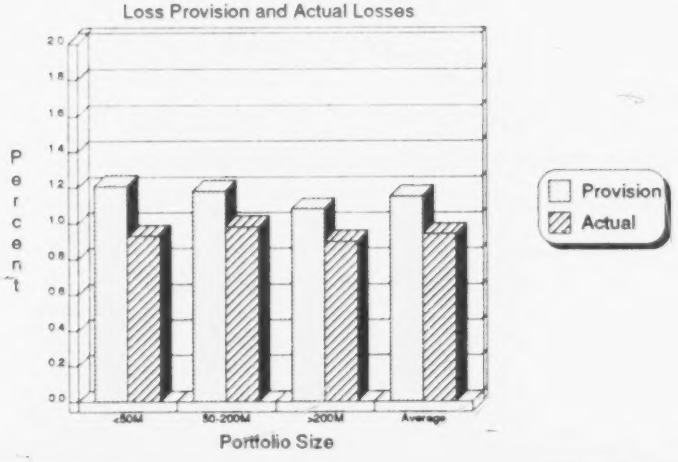


The loss provisions and actual losses reported by respondents in 1988 were virtually unchanged from 1987, and showed very little difference across size or region. The overall average loss provision was 1.16% of average net outstandings, a decrease of .04% from 1988, while reported losses averaged .94%, an increase of .02%. Responses are presented by portfolio size in Table 66:

LENDING LOSSES

Table 66

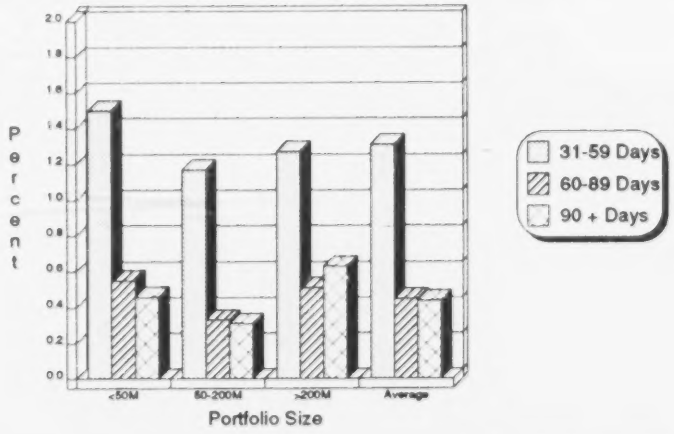
Loss Provision and Actual Losses



The average percentage of loan delinquencies 31 to 59 days overdue for 1988 was 1.31%, compared to 1.55% in 1987. For 60 to 89 days the average was .45%, and .44% for over 90 days. These figures did vary somewhat by institution size and region, however, as presented in Tables 67 and 68:

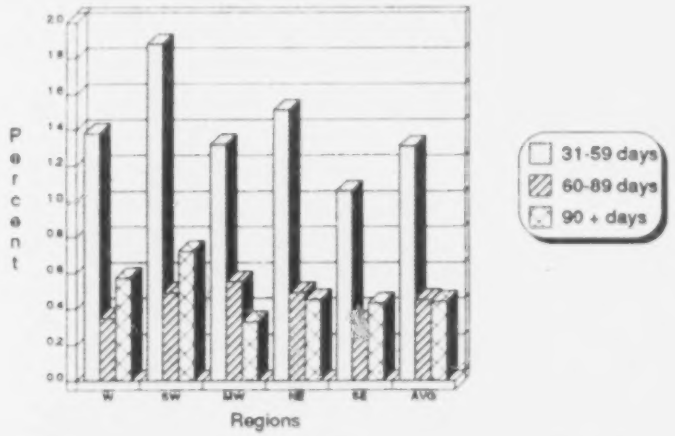
DELINQUENT LOANS

Table 67



DELINQUENT LOANS

Table 68



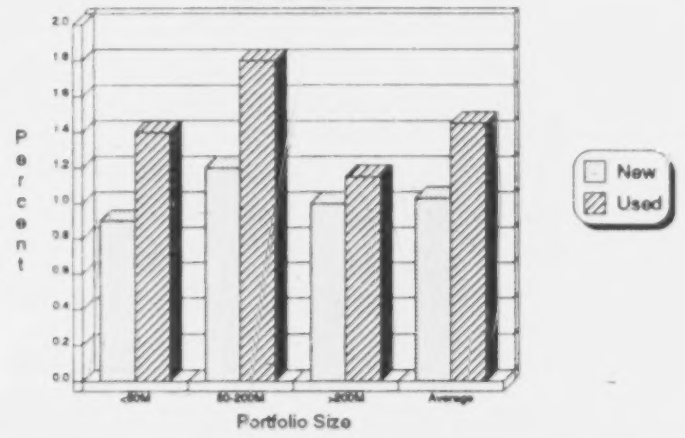
The smaller institutions had a slightly higher delinquency rate at 1.5%. The Southwest had the highest overall delinquency rate at 1.88%, however this figure may be a reflection of the overall economic hardship experienced in that region during 1988. At the other extreme, the Southeastern region had a delinquency rate of only 1.06%. It is also important to examine the percentage of loans that are in excess of 90 days overdue, as these have a good chance of becoming defaults. The larger instititutions had an average of .63% in this classification, and the Southwest had the highest rate, at .72%.

The number of automobile repossessions appears to have decreased a very slight amount in 1988. Repossessions of new cars resulted in a loss of 1.03% of average net outstandings compared to 1.1% last year. Losses generated by used car repossessions dropped from 1.52% in 1987 to 1.45%. Table 69 illustrates losses generated by repossessions as a percentage of total net dollar outstandings by portfolio size:

AUTOMOBILE REPOSSESSIONS

New and Used

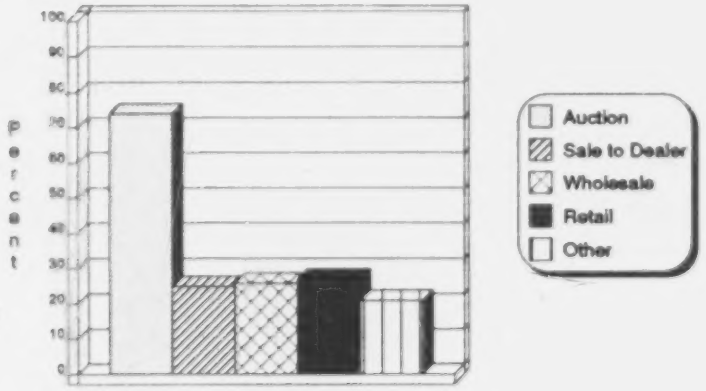
Table 69



Repossessed automobiles must be disposed of in some manner, and there are a variety of ways of doing so. The vast majority of lenders take advantage of public or private auctions, but several other methods are also used. Table 70 presents a profile of the percentage of respondents who utilized the different methods:

DISPOSAL OF REPOSSESSIONS

Table 70



Conclusion

In 1988 there was a modest increase in the number and dollar volume of automobile loans reported by CBA survey respondents. It is important to note, however, that not all respondents reported gains, and many had significant reductions in their lending activity. Perhaps some of this was intentional, and some due to factors beyond the institution's control, but it is clear that some banks are performing much more efficiently and effectively than others. Some of the important information that emerged in this year's survey includes the following:

- There is a shifting from direct to indirect lending.
- Vast differences existed in marketing expenditures.
- Use of computers is increasing, internally and externally.
- There were no major changes in loan approval rates.
- The average maximum maturity rate has increased substantially.
- An average indirect loan is larger than a direct loan.
- The vast majority of loans pay out early.
- There was no major change in delinquencies.
- There was no major change in losses.
- There was no major change in repossessions.
- Used car repossessions greatly exceed new car repossessions.

It is going to become more important in the future for banks to identify their primary customers, both individual consumers and automobile dealerships, and work at developing relationships with them. As the automobile financing industry continues to mature, efficiency and cost management as well as creativity and innovation are going to be the keys to future success.

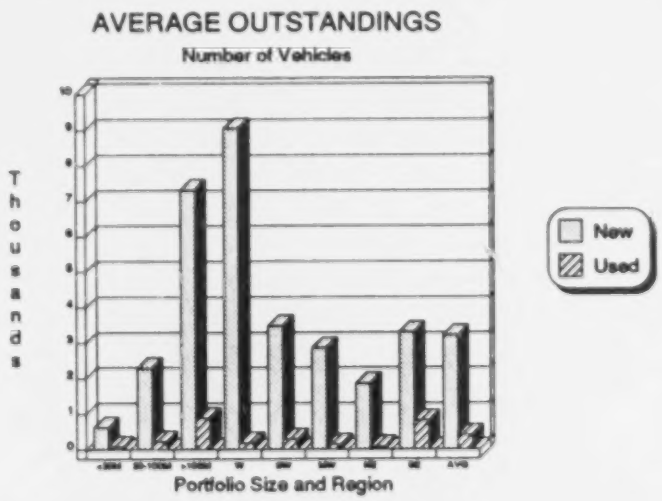
AUTOMOBILE FLOORPLANNING

Automobile wholesale financing activities comprise a major portion of the lending portfolio for many financial institutions. In 1988, floorplanning services were offered by 106 respondents, or 61% of the sample. The floorplanning activity is part of the retail lending department for 51% of respondents, 22% include it in a wholesale lending department, and 27% include it as part of a consolidated lending department. The mean number of years in the wholesale business is 25, and 86% of institutions involved in floorplanning have been doing so for more than 10 years.

Floorplan Portfolio

As previously mentioned, portfolio size rather than asset size was used to divide the respondents in this year's survey. Due to the high frequency of responses to this item, the measure used was the new car total dollar outstandings. The cutoff points were at $20 Million and $100 Million, with the smaller portfolios comprising 31% of the sample, the medium sized portfolios 40%, and the larger portfolios 29%. Table 71 and 72 present the average outstandings by region and portfolio size:

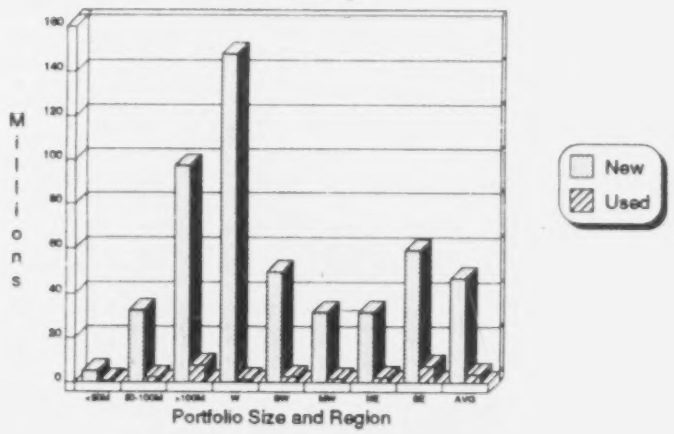
Table 71



AVERAGE OUTSTANDINGS

Dollar Outstandings

Table 72



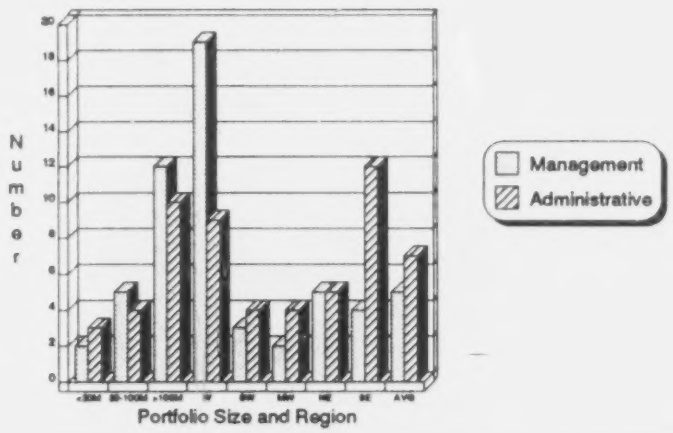
The banks in the Western region have by far the largest average new car floorplanning portfolios at 9043 units and $148 Million, while the overall average is 3214 units at $46.9 Million. The Southeast has the largest used car portfolios at 819 units and $7.4 Million. New car franchises comprise 70% of the overall floorplanning volume, and approximately 90% of floorplanning volume is in new cars. The average flooplan amount per vehicle was $13,910 for new cars and $7,191 for used cars.

Employees

The 1988 survey contained items pertaining to the number of employees and the salaries of those involved in the floorplanning function. The average managerial salary was $33,065, while the average administrative salary was $16,198, and neither salary varied significantly across size or region. The results of the personnel distribution are presented in Table 73 by size and region:

PERSONNEL DISTRIBUTION

Table 73



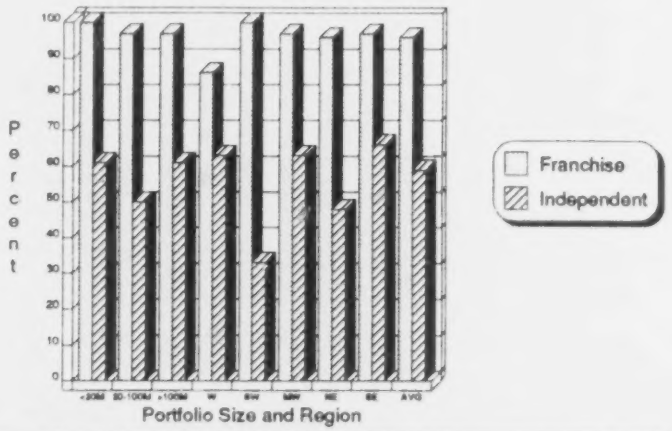
As expected, the larger institutions employ more individuals, but the ratio of managerial (exempt) employees to administrative staff is quite different than the lending and leasing functions and varies across region. There appears to be an overall reduced level of administrative support, which may be explained by the reduced number of customers and dealerships with which an individual may interact, relative to lending and leasing.

Dealer Relationships

The captive finance companies are strong competitors with lending institutions for floorplanning business. The captives have some substantial advantages in terms of the financial packages they can offer to franchised dealerships, and they also can apply leverage through computerization and allotment of automobiles. Many lending institutions are doing quite well in the face of this competition, however, as wholesale lending to franchised dealerships comprised the entire floorplan portfolio for 51% of respondents. These were typically very large institutions, with an average total portfolio of 32,700 vehicles valued at $342 Million. A breakdown of floorplanning policy is presented in Table 74:

FLOORPLAN PROGRAM

Table 74

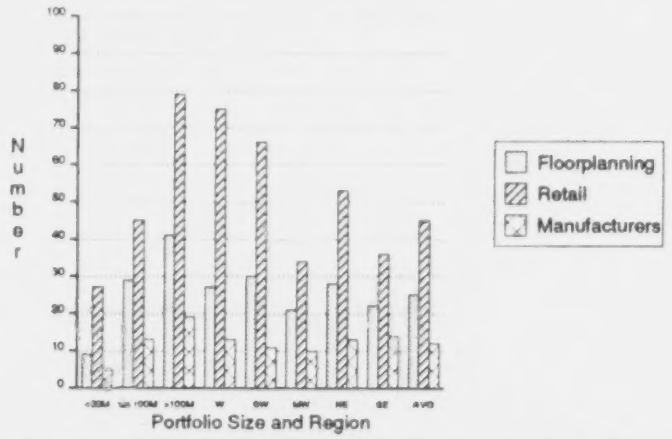


A total of 96% of respondents floorplan through franchised dealerships with little variance across portfolio size and region. Floorplanning through independent dealerships varies substantially by region, however, from a low of 33% of respondents in the Southwest to a high of 63% in the West and Midwest.

The number of floorplanning relationships, retail relationships, and manufacturers represented is displayed in Table 75:

DEALER RELATIONSHIPS

Table 75

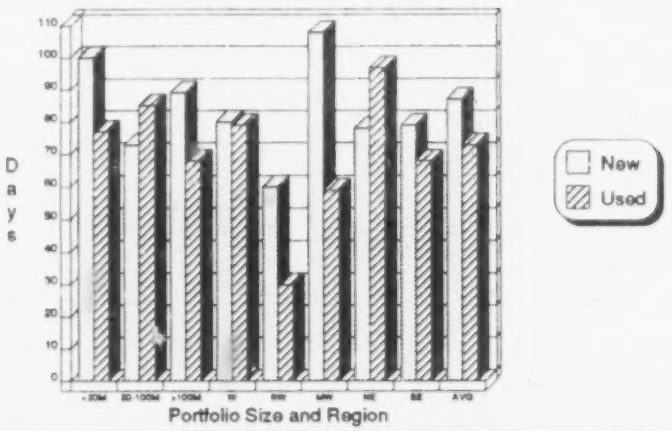


All institutions have approximately twice as many retail relationships as floorplanning relationships. The medium sized institutions, along with those in the Midwest and the Southeast, have established floorplanning business with over 60% of the dealerships with which they have retail relationships. The number of flooplanning relationships ranged from 2 to 98, while the number of retail relationships ranged from 4 to 128.

The average number of days that an automobile remains in the floorplan may impact loan interest rates and lending institution profit. The average is presented in Table 76 for both new and used cars:

DAYS IN FLOORPLAN

Table 76

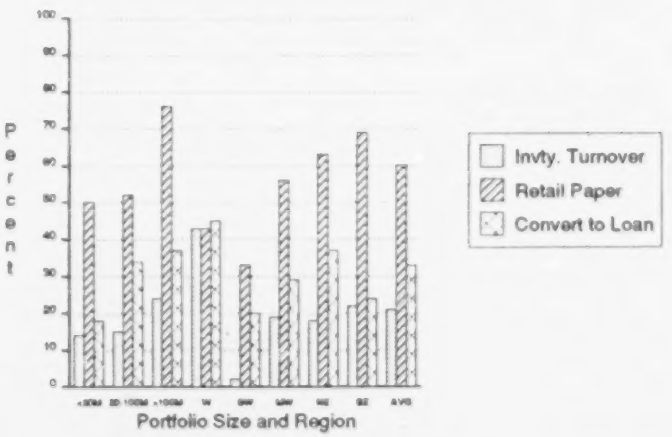


The range for new cars was from 30 to 180 days, while for used cars it was 25 to 180 days. The overall average for new cars was 87 days, and 73 days for used cars. The Midwest had the highest average for new cars at over 100, while the Northeast was the only region with a used car average greater than the new car average.

One objective that lenders may have when establishing floorplanning relationships is to convert floorplan loans into retail loans. Respondents were asked if inventory turnover and amount of retail paper sent by a dealer are considered in pricing, and the results are presented in Table 77:

FLOORPLAN PRICING POLICY

Table 77



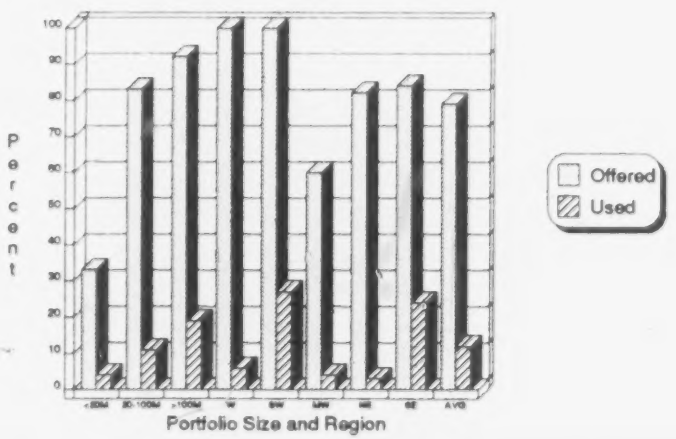
Inventory turnover is used as a pricing factor by 21% of respondents and retail paper used by 60%. Both numbers varied significantly by size and region. Over 75% of the larger institutions used retail paper in pricing. The respondents from the Western region appear to be the most aggressive in their pricing policies, and they also have the highest percentage of converted loans, at 45%. There are many factors that may be taken into account when pricing the wholesale loan, but lenders may want to take advantage of methods that work to the benefit of both the bank and the dealership.

Floorplan Protection

Many lenders offer floorplan insurance to dealerships, but this practice varies by size and region, as shown in Table 78:

FLOORPLAN INSURANCE

Table 78

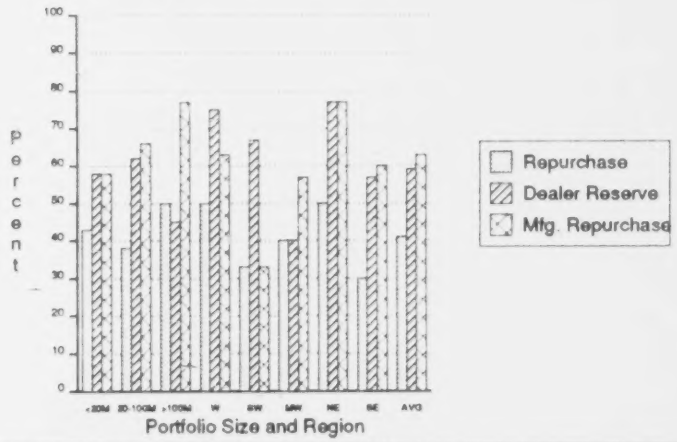


Although 79% of respondents offered insurance, only an average of 12% of dealerships used the floorplan insurance. This figure varied by region, however, as approximately one-fourth of dealers in the Southeast and Southwest used it. Garage-keepers insurance was also offered by a small percentage of lenders.

There are a number of ways in which dealers protect their floor planning portfolios, and these are usually in the form of agreements and guarantees. Tables 79 and 80 illustrate the usage of these types of protection.

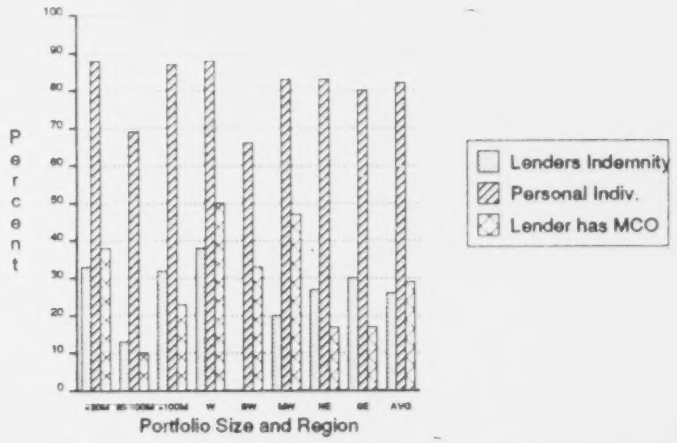
FLOORPLANNING AGREEMENTS

Table 79



FLOORPLANNING GUARANTEES

Table 80



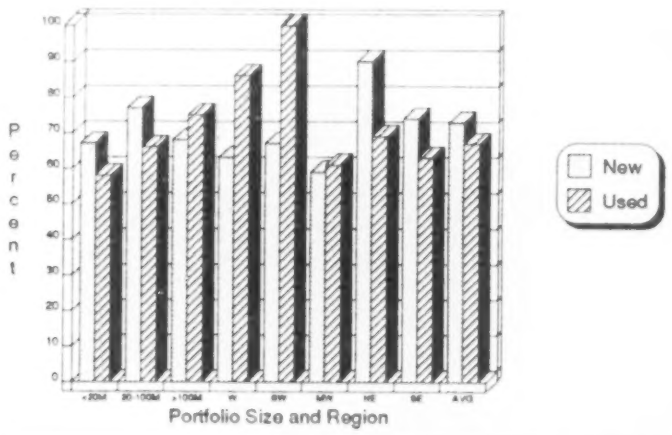
With regard to floorplanning agreements, the manufacturer's repurchase is most common, used by 63%, followed by dealer reserve agreements at 59%, and repurchase agreements at 41%. There are significant regional differences, however, as those in the West and Southwest require dealer reserve agreements most often. With regard to floorplanning guarantees, the personal individual guarantee is required by 82% of all respondents, while the lender holding the manufacturer certificate of origin (MCO) is required by 29%, and lenders indemnity insurance by 26%. These percentages vary somewhat by region, the requirement of the personal individual guarantee is by far the most common requirement. In addition to the above requirements, over 95% of respondents require an inspection and verification of floorplanned units by in-house personnel.

Curtailment

Curtailment may be one of the most complex relationships between a lender and a dealership, and the terms used varied tremendously across respondents. Table 81 presents a profile of those who used curtailment for both new and used cars:

CURTAILMENT

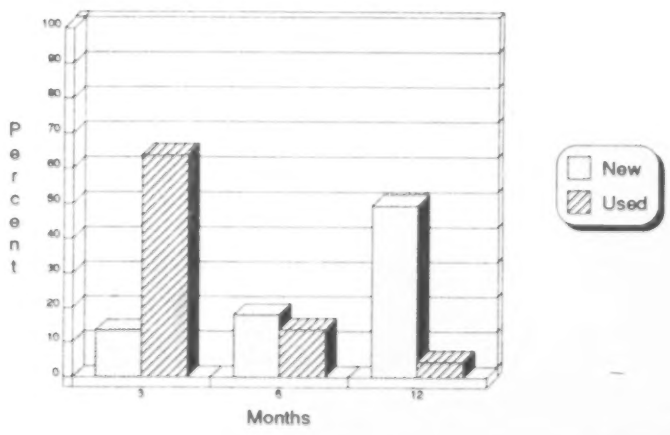
Table 81



Overall, 73% of respondents used curtailment for new cars, while 67% did for used cars, but no pattern of consistent practice emerged across regions. Use of curtailment for used cars is more common than for new cars in the West, Southwest, and Midwest, while just the opposite is true in the Northeast and Southeast. As previously mentioned, the curtailment terms varied to the point that it is very difficult to present a complete picture. Summary statistics were compiled to demonstrate the major trends in curtailment terms, and are presented in Table 82:

CURTAILMENT TERMS

Table 82



For new cars, 14% of respondents began curtailment after 3 months, 18% after 6 months, and 49% after 12 months. For used cars, 64% of respondents began curtailment after 3 months, 14% after 6 months, and 5% after 12 months. The terms for the remaining 19% varied in such a manner that there was no discernible pattern. The most common practice for payment schedule was for 10% of the balance to be paid each month following the beginning of curtailment, with the balance due in 12 months for new cars and 6 months for used cars.

Conclusion

Automobile floorplanning offers the lender the opportunity to generate a large volume of secured loans, but also offers the opportunity to strengthen relationships with dealerships. Some interesting information from this year's survey includes the following:

- Almost all respondents do business with franchised dealers.
- Lenders have twice as many retail as wholesale relationships.
- New car franchises comprise 70% of the overall volume.
- Approximately 90% of floorplanning volume is in new cars.
- New cars remain in the floorplan an average of 87 days.
- There exist a variety of ways to price floorplanning loans.
- Curtailment terms vary significantly across institutions.

There appears to be a trend emerging toward a reduction in direct loans and and leases and an increase in indirect loans and leases. If this trend continues, establishing and maintaining strong relationships with high quality, high volume dealerships will be very important in determining the long term success of lending institutions. Offering creative financing packages, bundling of products, and gaining a greater understanding of how automobile dealerships are run may be useful in developing these important relationships.

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CONSUMER BANKERS ASSOCIATION

CENTER FOR FINANCIAL SERVICES STUDIES
MCINTIRE SCHOOL OF COMMERCE
UNIVERSITY OF VIRGINIA

AUTOMOBILE FINANCING SURVEY

This questionnaire is an important part of an ongoing program to track trends and provide insights into what has occurred in the auto financing areas for banking over the past few years. Your personal and prompt response is appreciated. If you do not have the specific data that fit the question, please give the best and most appropriate information available.

All questions, unless otherwise stated, relate to 1988 financing activity.

The survey is in 3 sections: (1) Leasing; (2) Financing; (3) Dealer Floorplanning. The survey is color coded so that sections may be distributed to those best qualified to complete each section. Please return the completed sections in the enclosed self-addressed envelope. Questions on the survey may be directed to Antigoni Ladd, Consumer Bankers Association at (703)276-1750.

When recording information, please use the following format:

Percentages: **50.0% is 50 percent, .50% is 1/2 of 1 percent.**

Dollars are denoted by $ **Bill , Mill , Thou , Hund**

For your participation in the completion of this questionnaire, a copy of the Executive Summary will be sent to you. The results of this study will be reported only in aggregate and your data will be held in confidence by the researchers at the University of Virginia. Thank you for your cooperation.

Name of Institution: _____
Location (address): _____
_____
_____

Individual Completing This Section: _____
Telephone: _____

Individual to whom future questionnaires should be addressed: _____

Please return completed surveys **by January 31, 1988** to:

Professor Timothy R. Hinkin
Center for Financial Services Studies
McIntire School of Commerce
University of Virginia
Charlottesville, VA 22903

BACKGROUND

1. What type of financial institution do you represent? (check one)

_____ Holding Company (Single BHC)
_____ Multi-bank Holding Company
_____ Independent Bank
_____ Other (specify)_____
_____ Savings and Loan
_____ Credit Union
_____ Mutual Savings Bank

2. Financial institution's asset size? $_____,_____,_____,_____

3. Financial institution's year end return on assets (ROA)? _____%

4. Financial institution's year end return on equity (ROE)? _____%

5. Which of the following best describes the current geographic distribution of your automobile financing business? (check one)

_____ Single market/local (One city, county, or metro)
_____ Concentrated state regional (One region of the state)
_____ Diverse state regional (Several regions within a state)
_____ Statewide (Many markets covering most of a state)
_____ Interstate (Markets covering areas beyond state boundaries)

6. In what region does your financial institution conduct auto business? (check all that apply)

_____ West (AK, CA, CO, HI, ID, MT, NV, OR, UT, WA, WY)
_____ Southwest (AK, AZ, NM, OK, TX)
_____ Midwest (AR, IA, IL, IN, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI)
_____ Northeast (CT, DE, MA, ME, NH, NJ, NY, PA, RI, VT)
_____ Southeast (AL, DC, FL, GA, IA, MD, MS, NC, SC, TN, VA)

7. With respect to the data presented in this survey, how many separate operating units are represented in the following categories? (For example, if a bank offered lending services in 23 branches, it would list 1 bank, 23 branches, and 24 total.)

Number

_____ Banks
_____ Branches
_____ Subsidiaries
_____ Other (specify)_____
_____ Total

8. What was your institution's total marketing budget for promotion, advertising, direct mail, etc. (exclusive of salaries)?

$_____,_____,_____,_____

9. Major changes planned in financing portfolio for the coming year:

No changes planned:

_____ Leasing program
_____ Lending Program

Planning to drop:

_____ Leasing program
_____ Lending program

Planning to begin:

_____ Leasing program
_____ Lending program

Planning to change from direct to indirect:

_____ Leasing program
_____ Lending program

Planning to change from indirect to direct:

_____ Leasing program
_____ Lending program

Bank/Institution:_____

Individual Completing This Section:_____
Telephone:_____

CBA AUTO FINANCING SURVEY - AS OF DECEMBER 31, 1988

SECTION 1 - AUTOMOBILE FINANCING

The following questions relate to your automobile financing activities as of year end. Please fill out each question as completely and accurately as possible. If you do not have the specific data that fit the question, please give the best and most appropriate information available.

When recording information, please use the following format:

If any answer is **unavailable**, please answer with **"N.A."**

If any answer is **"Zero"** or **"None,"** please indicate with **"0."**

Percentages: **50.0% is 50 percent, .50% is 1/2 of 1 percent.**

Dollars are denoted by **$ Bill , Mill , Thou , Hund**

Please return completed surveys **by January 31, 1988** to:

Professor Timothy R. Hinkin
Center for Financial Services Studies
McIntire School of Commerce
University of Virginia
Charlottesville, VA 22903

All questions, unless otherwise stated, relate to 1988 financing activity.

1. Does your institution operate a separate auto lending department/division, or is it organized under a larger unit such as consumer/retail function?

   _____ Separate auto lending department/division
   _____ Combined auto lending and leasing department/division
   _____ The activity is organizationally not separated, but is consolidated under a (specify)_____

2. How long has your company been involved in automobile lending?

   _____ Years

3. What kinds of financing services does your institution offer?
DIRECT--direct relationship with borrower and no dealer involvement.
INDIRECT--borrower works through dealer relationship until transactions completed by dealer.

Only Direct	Only Indirect	Direct & Indirect
_____	_____	_____

4. Please indicate the total full-time equivalent individuals whose work assignment is specifically directed towards the automobile lending function (direct and/or indirect). Please include administration, origination, and servicing.

_____ Number of managerial (exempt) employees
_____ Number of administrative (non-exempt) employees

5. Excluding benefits, what is the average annual salary of your managerial and administrative staff in the auto lending area?

Salary per managerial (exempt) person $_____
Salary per administrative (non-exempt) person $_____

6. Is your collection department a separate department or division, or is it organized under a larger unit such as part of the consumer/retail function? (Check as many as may apply.)

_____ Collections is a separate and independent unit.
_____ Auto lending has its own collections unit.
_____ Auto leasing and lending have a combined collections unit.
_____ Collections is consolidated under a larger unit (e.g., consumer/retail).
_____ Other (specify) _____

7. Is your auto lending accounting system: (check one)

_____ Computerized (Main frame, mini, micro)
_____ Part of a service bureau activity
_____ Manual
_____ Other (specify) _____

8. Do you have an automated credit processing system?

_____ Yes _____ No

9. Have you presently automated or do you plan to automate your relationship with the dealer over the next two years?

_____ Presently automated with computer system
_____ Presently using facsimile machine
_____ Plan to automate
_____ Do not plan to automate
_____ Do not know

10. Does your company use a credit scoring system?

_____ Yes _____ No

11. What was the total marketing budget for promotion, advertising, direct mail, etc. for the auto financing department/division (exclusive of salaries)?

$_____,_____,_____,_____

12. As of year end, what were your company's total outstandings for all direct and indirect automobile loans?

Direct Loans

	Number of Accounts	Gross Outstandings
New Cars	_____	$____,____,____,____
Used Cars	_____	$____,____,____,____
Total	_____	$____,____,____,____
Domestic	_____	$____,____,____,____
Import	_____	$____,____,____,____
Total	_____	$____,____,____,____

Indirect Loans

	Number of Accounts	Gross Outstandings
New Cars	_____	$____,____,____,____
Used Cars	_____	$____,____,____,____
Total	_____	$____,____,____,____
Domestic	_____	$____,____,____,____
Import	_____	$____,____,____,____
Total	_____	$____,____,____,____

13. Indicate the number, as well as dollar volumes, of all direct and indirect loans made in the current year versus previous year.

Direct Loans

	Number of Loans	
	Prior Year	Current Year
New Cars	_____	_____
Used Cars	_____	_____
Total	_____	_____
Domestic	_____	_____
Import	_____	_____
Total	_____	_____

	Gross Dollar Volume	
	Prior Year	Current Year
New Cars	$___,___,___,___	$___,___,___,___
Used Cars	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___
Domestic	$___,___,___,___	$___,___,___,___
Import	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___

Indirect Loans

	Number of Loans	
	Prior Year	Current Year
New Cars	_____	_____
Used Cars	_____	_____
Total	_____	_____
Domestic	_____	_____
Import	_____	_____
Total	_____	_____

	Gross Dollar Volume	
	Prior Year	Current Year
New Cars	$___,___,___,___	$___,___,___,___
Used Cars	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___
Domestic	$___,___,___,___	$___,___,___,___
Import	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___

14. What percent of volume utilizes each of the following pricing/accounting methods in lending?

% Volume	
_____	Balloon Note
_____	Simple Interest
_____	Add-On
_____	Both simple and Add-On
_____	Variable (specify)_____

15. This past year how many loan applications were submitted, approved, and booked?

All Lending	Number of Applications	Number Approved	Number Booked
Total	_____	_____	_____

16. What is the average turnover (the period of time from loan inception to payoff) for your loans?

	Turnover	
Total Portfolio	_____	months
New Loans this past year	_____	months

17. What percentage of total loans pays out early? _____%

18. For last year. what was your company's average down payment on automobile loans?

		Average Down Payment
New Cars:	Import	_____%
	Domestic	_____%
Used Cars:	Import	_____%
	Domestic	_____%

19. What is your present maximum maturity in months on auto loans?

		Maximum Maturity	
New Cars:	Import	_____	months
	Domestic	_____	months
Used Cars:	Import	_____	months
	Domestic	_____	months

20. What was the average term of new auto loans made last year?

		Average Term
New Cars:	Import	_____ months
	Domestic	_____ months
Used Cars:	Import	_____ months
	Domestic	_____ months

21. For which additional items do you offer financing in your program? (Check all that apply.)

_____ Credit life
_____ Credit disability
_____ Tax and license
_____ Registration fee
_____ Extended warranty
_____ Dealer added accessories
_____ Other(s) (specify) _____

22. As of year end, how many and what percentage of your loan accounts were past due/delinquent for the various categories below? What was the total dollar amount and percentage of past dues for each category?

Time Past Due	Number	% of Accounts	Total Dollar Amount of Past Due	% of Outstandings
31 - 59 days	_____	_____%	$____,____,____,____	_____%
60 - 89 days	_____	_____%	$____,____,____,____	_____%
90 days plus	_____	_____%	$____,____,____,____	_____%

23. What has been the total number and percentage of accounts repossessed? What was the total dollar volume loss, and what was the loss as a percentage of outstandings?

All Loans	Number	% of Accounts	Total Dollar Volume Loss	% of Outstandings
New Cars:				
Import	_____	_____%	$____,____,____,____	_____%
Domestic	_____	_____%	$____,____,____,____	_____%
Used Cars:				
Import	_____	_____%	$____,____,____,____	_____%
Domestic	_____	_____%	$____,____,____,____	_____%

24. Of the following methods of redisposition of repossessed vehicles, what was the percentages in each category?

		Percentages
a.	Public or private auction	_____%
b.	Sales to dealer	_____%
c.	Wholesaled out	_____%
d.	Retail sale	_____%
e.	Other (specify) _____	_____%

25. Please indicate the dollar volume and percentage in loss provision and actual loss in this year for both new and used car loans.

	Loss Provision	
All Loans	Dollar Volume	Average Net Outstandings
New Cars:		
Import	$____,____,____,____	_____%
Domestic	$____,____,____,____	_____%
Used Cars:		
Import	$____,____,____,____	_____%
Domestic	$____,____,____,____	_____%

	Actual Loss	
All Loans	Dollar Volume	Average Net Outstandings
New Cars:		
Import	$____,____,____,____	_____%
Domestic	$____,____,____,____	_____%
Used Cars:		
Import	$____,____,____,____	_____%
Domestic	$____,____,____,____	_____%

	Net Loss After Recoveries	
All Loans	Dollar Volume	Average Net Outstandings
New Cars:		
Import	$____,____,____,____	_____%
Domestic	$____,____,____,____	_____%
Used Cars:		
Import	$____,____,____,____	_____%
Domestic	$____,____,____,____	_____%

26. What was the annual recovery rate as a percent of losses? _____%

Bank/Institution:_____

Individual Completing This Section:_____
Telephone:_____

CBA AUTO FINANCING SURVEY - AS OF DECEMBER 31, 1988

SECTION 2 - AUTOMOBILE LEASING

The following questions relate to your automobile leasing activities as of year end. Please fill out each question as completely and accurately as possible. If you do not have the specific data that fit the question, please give the best and most appropriate information available.

When recording information, please use the following format:

If any answer is **unavailable**, please answer with **"N.A."**

If any answer is **"Zero"** or **"None,"** please indicate with **"0."**

Percentages: **50.0% is 50 percent, .50% is 1/2 of 1 percent.**

Dollars are denoted by **$ Bill , Mill , Thou , Hund**

Please return completed surveys **by January 31, 1988** to:

Professor Timothy R. Hinkin
Center for Financial Services Studies
McIntire School of Commerce
University of Virginia
Charlottesville, VA 22903

All questions, unless otherwise stated, relate to 1988 leasing activity.

1. Does your institution operate a separate auto leasing department/division, or is it organized under a larger unit such as consumer/retail function?

   _____ Separate auto leasing department/division
   _____ Combined auto lending and leasing department/division
   _____ The activity is organizationally not separated, but is consolidated under a (specify)_____

2. How long has your company been involved in automobile leasing?

   _____ Years

3. What types of leasing arrangements does your institution offer?
DIRECT--direct relationship with customer
INDIRECT--customer works through dealer relationship
(Check all that apply.)

Direct		Indirect	
_____ Open	_____ Closed	_____ Open	_____ Closed

4. Does your institution do business with lease brokers?

_____ Yes _____% of Portfolio _____ No

5. Please indicate the total full-time equivalent individuals whose work assignment is specifically directed towards the automobile leasing function (direct and/or indirect). Please include administration, origination, and servicing.

_____ Number of managerial (exempt) employees
_____ Number of administrative (non-exempt) employees

6. Excluding benefits, what is the average annual salary of your managerial and administrative staff in the auto leasing area?

Salary per managerial (exempt) person $_____
Salary per administrative (non-exempt) person $_____

7. Is your collection department a separate department or division, or is it organized under a larger unit such as part of the consumer/retail function? (Check as many as may apply.)

_____ Collections is a separate and independent unit.
_____ Auto leasing has its own collections unit.
_____ Auto leasing and lending have a combined collections unit.
_____ Collections is consolidated under a larger unit (e.g., consumer/retail).
_____ Other (specify) _____

8. Is your lease accounting system: (check one)

_____ Computerized (Main frame, mini, micro)
_____ Part of a service bureau activity
_____ Manual
_____ Other (specify) _____

9. Do you have an automated credit processing system?

_____ Yes _____ No

10. Have you presently automated or do you plan to automate your relationship with the dealer over the next two years?

_____ Presently automated with computer system
_____ Presently using facsimile system
_____ Plan to automate
_____ Do not plan to automate

11. For what percentage of your leases do you use?

_____% Coupon Books
_____% Monthly Billing

12. Does your institution use a credit scoring system?

_____ Yes _____ No

13. What was the total marketing budget for promotion, advertising, direct mail, etc. for the auto leasing department/division (exclusive of salaries)?

$____,____,____,____

14. As of year end, what were your company's outstandings for all automobile leases?

Closed-end Leases

	Outstanding Leases	Lease Contract Receivables	Residual Value
New Cars	_____	$____,____,____,____	$____,____,____,____
Used Cars	_____	$____,____,____,____	$____,____,____,____
Total	_____	$____,____,____,____	$____,____,____,____
Domestic	_____	$____,____,____,____	$____,____,____,____
Import	_____	$____,____,____,____	$____,____,____,____
Total	_____	$____,____,____,____	$____,____,____,____

Open-end Leases

	Outstanding Leases	Lease Contract Receivables	Residual Value
New Cars	_____	$____,____,____,____	$____,____,____,____
Used Cars	_____	$____,____,____,____	$____,____,____,____
Total	_____	$____,____,____,____	$____,____,____,____
Domestic	_____	$____,____,____,____	$____,____,____,____
Import	_____	$____,____,____,____	$____,____,____,____
Total	_____	$____,____,____,____	$____,____,____,____

15. Indicate the number, as well as dollar volumes, of all leases booked in the current year versus previous year.

Closed-end Leases

	Leases Booked	
	Prior Year	Current Year
New Cars	_____	_____
Used Cars	_____	_____
Total	_____	_____
Domestic	_____	_____
Import	_____	_____
Total	_____	_____

	Capital Cost Amount	
	Prior Year	Current Year
New Cars	$___,___,___,___	$___,___,___,___
Used Cars	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___
Domestic	$___,___,___,___	$___,___,___,___
Import	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___

Open-end Leases

	Leases Booked	
	Prior Year	Current Year
New Cars	_____	_____
Used Cars	_____	_____
Total	_____	_____
Domestic	_____	_____
Import	_____	_____
Total	_____	_____

	Capital Cost Amount	
	Prior Year	Current Year
New Cars	$___,___,___,___	$___,___,___,___
Used Cars	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___
Domestic	$___,___,___,___	$___,___,___,___
Import	$___,___,___,___	$___,___,___,___
Total	$___,___,___,___	$___,___,___,___

16. This past year how many lease applications were submitted, approved, and booked?

All Leasing	Number of Applications	Number Approved	Number Booked
Total	_____	_____	_____

17. What was the average term of new auto leases last year?

	Open end	Closed end
Domestic		
Direct	_____ months	_____ months
Indirect	_____ months	_____ months
Imports		
Direct	_____ months	_____ months
Indirect	_____ months	_____ months

18. What is the average turnover (the period of time from lease inception to payoff) for your leases?

	Turnover
Total Portfolio	_____ months
New leases this past year	_____ months

19. Is the lease acquisition fee for your institution:

_____ Flat Fee $_____
_____ Percent of acquisition cost _____%
_____ Currently have no acquisition fee
_____ Other (specify)_____

20. The lease security deposit for your institution is:

Equal to _____ month's rent

21. Do you have a lease with capital cost disclosed? _____ Yes _____ No

22. Do you allow fees to be capitalized? _____ Yes _____ No

If yes, which of the following fees do you allow to be capitalized?

_____ License fees
_____ Personal property tax
_____ Registration fee
_____ Sales tax
_____ Warranty packages
_____ Other (specify)_____

23. What is the maximum amount of capitalized costs expressed as a percentage of manufacturers suggested retail price (including all fees)?

_____% Domestic autos
_____% Import autos

24. What percentage of new leases booked have a capital cost reduction?

_____%

25. Is insurance offered as part of the lease arrangement?

_____ Yes, required _____ Yes, optional _____ Not offered

26. If offered, what percentage of leases use the following?

_____% Residual life
_____% Credit life
_____% Lease life
_____% Other (specify) _____

27. What was the average premium per lease of residual value insurance as a percentage of capitalized cost?

_____%

28. Do you usually buy residual value insurance with deductibles?

_____ Yes _____ No

29. How many claims were submitted last year under residual value insurance policies and what was the average claim amount?

Number of Claims	% of Portfolio	Average Claim Amount
_____	_____%	$_____

30. How many leases and their dollar volume reached scheduled termination last year where residual value insurance has applied?

Number of Leases	% of Portfolio	Dollar Volume
_____	_____%	$_____

31. Have you already or do you plan to implement a leasing program <u>without</u> residual value insurance this coming year?

_____ Yes _____ No

32. What percentage of <u>all</u> leases terminated early? _____%

33. What percentage of <u>all</u> leases reached term? _____%

34. What percentage of new leases (current year) terminated before the first year? _____%

35. Does your institution allow extensions of the existing lease contracts beyond the original terms of the lease?

_____ Yes _____ No

36. For leases that reach term, what percentage of leases are:

_____% Returned to the lessor
_____% Extended month-to-month
_____% Renegotiated to a new lease
_____% Converted into a loan
_____% Paid off for cash

37. Do you allow third party assumptions of the original contract?

_____ Yes _____ No

38. If yes, what percentage were new lease contracts? _____%

39. For each type of lease presented below, what is the average length of terminations? (Please exclude repossessions in your calculations.)

For 12 month lease _____ months
For 24 month lease _____ months
For 36 month lease _____ months
For 48 month lease _____ months
For 60 month lease _____ months

40. Does your company apply a termination fee on early terminations?

_____ Yes _____ No If yes, what is the amount? $_____

41. Does your company apply a disposal fee at maturity?

_____ Yes _____ No If yes, what is the amount? $_____

42. As of year end, how many and what percentage of your lease accounts were past due/delinquent for the various categories below? What was the total dollar amount and percentage of past dues for each category?

Time Past Due	Number	% of Accounts	Total Dollar Amount of Past Due	% of Outstandings
31 - 59 days	_____	_____%	$___,___,___,___	_____%
60 - 89 days	_____	_____%	$___,___,___,___	_____%
90 days plus	_____	_____%	$___,___,___,___	_____%

43. What has been the total number and percentage of accounts repossessed? What was the total dollar volume loss, and what was the loss as a percentage of outstandings?

All Leases	Number	% of Accounts	Total Dollar Volume Loss	% of Outstandings
Closed end	_____	_____%	$____,____,____,____	_____%
Open end	_____	_____%	$____,____,____,____	_____%
Total	_____	_____%	$____,____,____,____	_____%

44. Of the following methods of redisposition of repossessed vehicles, what was the percentage in each category?

		Percentage
a.	Public or private auction	_____%
b.	Sales to dealer	_____%
c.	Wholesaled out	_____%
d.	Retail sale	_____%
e.	Other (specify)	_____%

_____

45. Please indicate the dollar volume and percentage in loss provision and actual loss in this year for both new and used car loans.

	Loss Provision	
All Leases	Dollar Volume	Average Net Outstandings
Closed end	$____,____,____,____	_____%
Open end	$____,____,____,____	_____%
Total	$____,____,____,____	_____%

	Actual Loss	
All Leases	Dollar Volume	Average Net Outstandings
Closed end	$____,____,____,____	_____%
Open end	$____,____,____,____	_____%
Total	$____,____,____,____	_____%

	Net Loss After Recoveries	
All Leases	Dollar Volume	Average Net Outstandings
Closed end	$____,____,____,____	_____%
Open end	$____,____,____,____	_____%
Total	$____,____,____,____	_____%

Bank/Institution: _____

Individual Completing this Section: _____
Telephone: _____

CBA AUTO FINANCING SURVEY - AS OF DECEMBER 31, 1988

SECTION 3 - WHOLESALE

The following questions relate to your automobile wholesale financing activities (i.e., floorplanning) as of December 31. Please fill out each question as completely and accurately as possible. If you do not have the specific data that fit the question, please give the best and most appropriate information available.

When recording information, please use the following format:

If any answer is **unavailable**, please answer with **"N.A."**

If any answer is **"Zero"** or **"None,"** please indicate with **"0."**

Percentages: **50.0% is 50 percent, .50% is 1/2 of 1 percent.**

Dollars are denoted by $ Bill , Mill , Thou , Hund

Please return completed surveys **by January 31, 1988** to:

Professor Timothy R. Hinkin
Center for Financial Services Studies
McIntire School of Commerce
University of Virginia
Charlottesville, VA 22903

All questions, unless otherwise stated, relate to 1988 wholesale activity.

1. This department is part of (check one):

   _____ Retail lending
   _____ Wholesale lending
   _____ Other, please specify _____

2. How long has your company been involved in wholesale financing?

   _____ Years

3. Please indicate the number of full-time equivalent individuals whose work assignment is specifically directed towards the wholesale automobile financing function.

_____ Number of Managerial (exempt) employees
_____ Number of Administrative (non-exempt) employees

4. Excluding benefits, what is the average annual salary of your managerial and administrative staff in the wholesale area?

Salary per managerial (exempt) person $_____
Salary per administrative (non-exempt) person $_____

5. How many dealerships (different addresses) were represented in your portfolio?

_____ Floorplanning relationships

_____ Retail relationships

6. How many manufacturers were represented in your new car portfolio?

_____ Manufacturers

7. Do you use a computer for processing wholesale and fleet units?

_____ Yes _____ No

8. For the past year, what were the <u>total number of units and total dollar outstandings</u> for automobile floorplanning?

	Total Number	**Gross Outstandings**
New Cars	_____	$___,___,___,___
Used Cars	_____	$___,___,___,___
Fleet	_____	$___,___,___,___
Lease	_____	$___,___,___,___
Other	_____	$___,___,___,___

9. For the past year, what were the <u>average number of units and average dollar outstandings</u> for automobile floorplanning?

	Average Number	Average Outstandings
New Cars	_____	$____,____,____,____
Used Cars	_____	$____,____,____,____
Fleet	_____	$____,____,____,____
Lease	_____	$____,____,____,____
Other	_____	$____,____,____,____

10. Does your company floorplan through:

a. New car franchise dealers? _____ Yes _____ No

If yes, what were the total number of units and dollar volumes of your outstandings for the past year?

Number of Units _____
Gross Outstandings $____,____,____,____

Average number of days a unit remains in floorplan. _____

Total number of transactions your company processes. _____

b. Used car dealers? _____ Yes _____ No

If yes, what were the total number of units and dollar volumes of your outstandings for the past year?

Number of Units _____
Gross Outstandings $____,____,____,____

Average number of days a unit remains in floorplan. _____

Total number of transactions your company processes. _____

11. What percentage of the manufacturer's new car invoice do you floor plan?

_____%

12. What percentage of the floorplanned units as wholesale loans became retail loans with your company in the last year?

_____%

13. Which of the following do you require when financing? (check all that apply):

_____ Repurchase agreement?
_____ Dealer reserve agreement?
_____ Manufacturers repurchase agreements?
_____ Lenders indemnity insurance?
_____ Personal individual guarantee?
_____ Lender holds MCO (manufacturer certificate of origination)?
_____ Inspection and verification of floorplanned units by in-house personnel?
_____ Inspection and verification of floorplanned units by service company?
_____ Other(s) (specify)_____

14. Which of the following do you offer? (check all that apply):

_____ Floorplan insurance
_____ Garage-keepers insurance
_____ Group health insurance
_____ Workman's compensation
_____ Other (explain) _____

15. What percentage of dealerships use any of your insurance plans?

_____%

16. a. What was your average dealer inventory turnover? _____%

b. Is inventory turnover a factor in pricing for your wholesale dealerships?

_____ Yes _____ No

c. Do you consider the amount of retail paper sent to you by a dealership in the development of pricing?

_____ Yes _____ No

17. a. Do you use curtailment?

_____ Yes, for new cars.
_____ Yes, for used cars.
_____ No

b. New cars: Curtailment begins after _____ months.
Used cars: Curtailment begins after _____ months.

c. New cars: After that date (above), _____% of balance must be paid each _____ (month?, week? please specify).

Used cars: After that date (above), _____% of balance must be paid each _____ (month?, week? please specify).

d. New cars: Balance must be paid off no later than _____.
Used cars: Balance must be paid off no later than _____.